

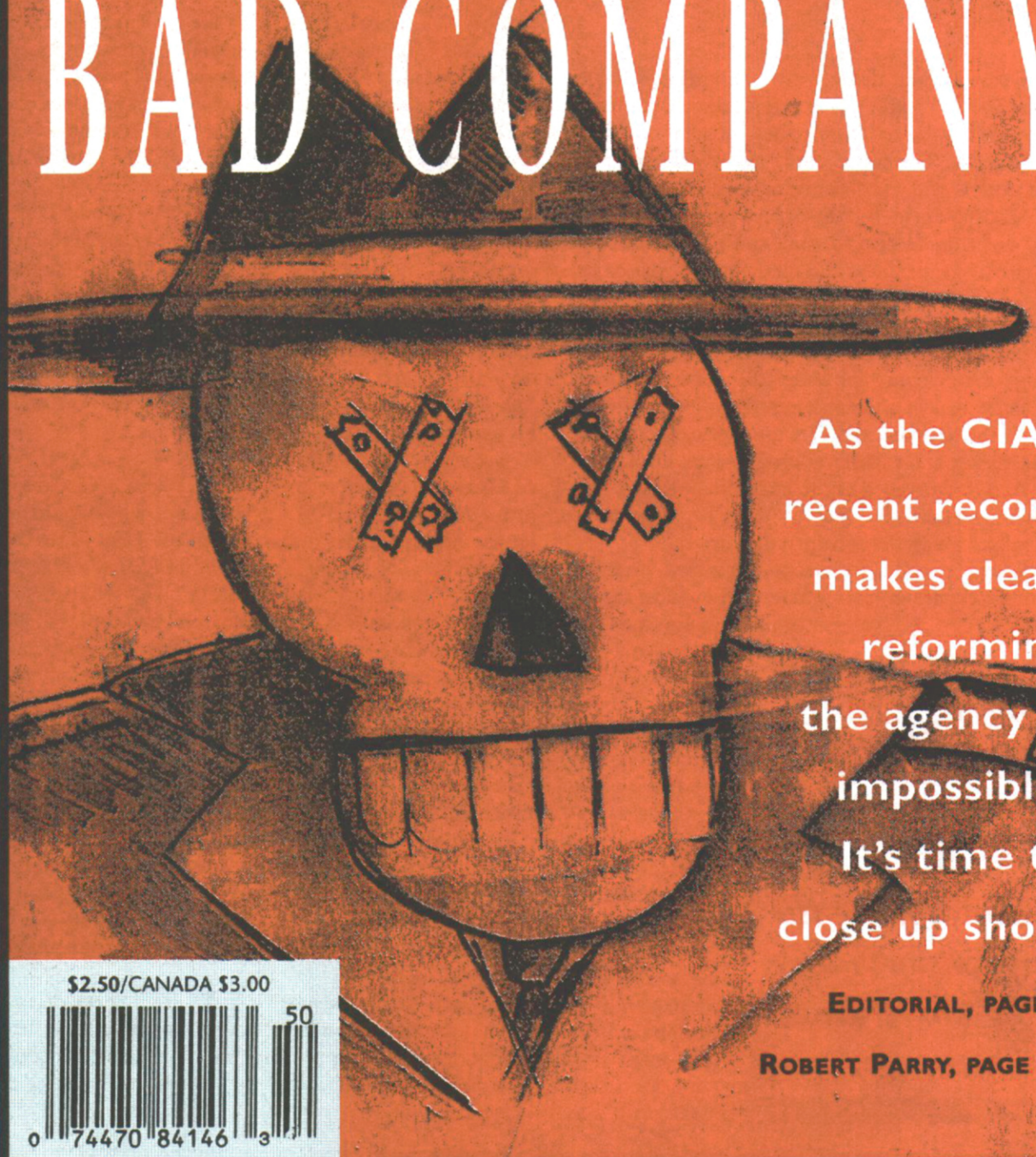
TOP STORY: ONLY 720 SHOPPING DAYS 'TIL THE NEXT ELECTION

December 12 - 25, 1994

In THESE TIMES

the alternative newsmagazine

BAD COMPANY



As the CIA's
recent record
makes clear,
reforming
the agency is
impossible.
It's time to
close up shop.

EDITORIAL, PAGE 2

ROBERT PARRY, PAGE 14

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EDITORIAL

CLOSING THE COMPANY

One scandal and disaster after another has finally led to the creation of a presidential commission charged with rethinking the role of the Central Intelligence Agency. The precipitating event was the arrest of Aldrich Ames, the hard-drinking and sloppily self-destructive double agent for the Soviet Union. For eight years Ames went undetected, despite conspicuous displays of wealth, public drunkenness and the failure of routine lie-detector tests.

But Ames was only a symptom of the CIA's corrupt inner culture, which flowed from its creation in 1947 as a secret society designed to circumvent both U.S. and international law in the battle against godless communism. As the special instrument of this crusade, the CIA rationalized complicity with thugs, thieves and high-level drug dealers throughout the world. And it intervened in the internal affairs not only of Third World nations, but also of major capitalist countries, siding always with the corrupt and powerful.

The CIA's covert actions have routinely aimed at undermining democratic movements wherever they have threatened

The CIA must be shut down. With the Cold War over, there is no longer any excuse to tolerate the agency's pervasive corruption.

business as usual. And its intelligence has usually been gleaned from reactionary agents whose false or misleading information then became the basis for reports passed on to Congress, the president and the media as objective evaluations. (See story on page 14.)

As a result of this activity, the CIA's reputation has

become so odious that even some congressional Republicans are distancing themselves from it. Thus, Sen. John Warner (R-VA) says that Congress has "got to determine whether there is at the CIA a cultural isolation from the way that business is conducted in the United States and the United States government." The reality, however, is that the CIA does *not* operate as an isolated rogue outfit that forever works at cross-purposes with other government agencies. It has always been an essential instrument of U.S. policy. The CIA's corruption stems from the flaws in its original mission—though, like Frankenstein's monster, the agency has occasionally taken on a life of its own and helped mold, or undermine, administration policy.

To understand how the CIA corroded from within, one need only explore its assignment to conduct activities directly contradictory to democratic principles and international law. Consider a few of the better-known CIA activities during the past 40 years:

- In 1954, under orders from President Dwight Eisenhower, the CIA organized and directed a coup that overthrew Col. Jacobo Arbenz Guzman, the democratically elected president of Guatemala. This was done after Arbenz expropriated United Fruit Company lands and distributed them to landless peasants. For this disrespect of American-owned property the State Department accused him of "playing the Communist game," and Eisenhower ordered his removal.

- Six years later, in March 1960, Eisenhower again violated Guatemala's sovereignty by using it as a CIA training ground for some 1,500 Cuban exiles who would soon invade Cuba in an attempt to overthrow Fidel Castro. Like the overthrow of Arbenz, the invasion of Cuba was cloaked in Cold War rhetoric. But, as a State Department official explained to John F. Kennedy when he took office in 1961, "Large amounts of U.S. capital now planned for investment in Latin America are waiting to see whether or not we can cope with the Cuban situation."

Kennedy understood. His only worry was that an invasion by 1,500 exiles would not succeed. For domestic political reasons, as well as concern about the reaction in Latin America, he was determined not to use American troops or planes in open support of the invasion, and he worried that he might be pressured to do so if the invasion faltered. But the CIA told him not to worry. To convince a wavering Kennedy, CIA director Allen Dulles assured him that "the prospects for this plan are even better than our prospects were in Guatemala."

This advice led to Kennedy's first foreign policy disaster—the Bay of Pigs invasion. It ended the day after it began, after the invaders' supply ships were sunk by three converted American-made T-33 jet trainers that had been given to

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IN THESE TIMES

"...with liberty and justice for all"

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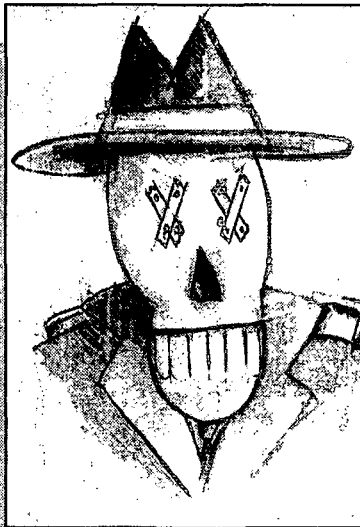


Bad Company

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LETTERS

Big job ahead

Joel Bleifuss' "New Democratic delusions" (ITT, November 28) presents pollster Vic Fingerhut's questionable claim that Hubert Humphrey's 15 percent rise in the polls during the last three weeks of the 1968 race was due to Fingerhut's advice to adopt a "traditional economic message that talked about wealth and how it corrupts power."

Other factors were involved in Humphrey's surge in the polls, including TV advertising, the war in Vietnam and the public's changing perception of Richard Nixon.

"HHH-What Manner of Man," a half-hour video biography I produced for the Humphrey campaign, was telecast hundreds of times nationally and locally during those last three weeks.

Joseph Napolitan, Humphrey's campaign manager, stated in his *The 1968 Presidential Campaign* that the biography was the most important single factor in Humphrey's climb in the polls. I've sometimes wondered if the outcome would have been different had we been able to get it finished sooner.

According to Joe McGinniss in his *Selling of the President, 1968*, Nixon's TV image was stiff and awkward compared to a much more "human" Humphrey. That contrast also contributed to Humphrey's rise, as viewers saw more of both candidates in the closing weeks of the campaign.

Although urged to by many advisers, Humphrey, a loyal vice president, had not openly criticized President Johnson's Vietnam War policies until those last few weeks of the race. Humphrey's Salt Lake City speech,

separating himself from Johnson on the war, may have cost him some "hawk" voters. But on balance it was then seen as helping Humphrey. Had he spoken out earlier, Humphrey might have stirred more disenchanted doves to get out and vote for him.

Current Democratic Party strategists certainly have to take "the traditional economic message" into account, as Fingerhut and Bleifuss argue. But as important as that may seem now, they undoubtedly will have to contend with a lot more than that.

Robert Richter
New York

At the Helms

With regard to the November 28 "Appall-O-Meter" about Jesse Helms, it might interest your readers to know that Helms was recently saluted in the John Birch Society's annual "Conservative Index" as the only senator with a 100 percent approval rating on the Birchers' agenda.

What a breath of relief this allows us! Not only will this great nation remain safe in its international support of "free market" dictatorships as a bulwark against communism, but, with Helms chairing the Foreign Relations Committee, we won't have to worry about the Bilderbergers, the Trilateralists and their globalist conspiratorial ilk.

Chris Faatz
Vancouver, Wash.

SYLVIA

by Nicole Hollander



Appalling facts

Your "Appall-O-Meter" department is usually interesting, but given the political orientation of *In These Times* one expects that the claims made there would be scrupulously accurate. However, I must question the accuracy of your "Next: Pol Pot Plaza" (ITT, November 14). There is no more real evidence that Bokassa of the Central African Republic practiced cannibalism than the tabloid claim that "Hillary killed Foster." You also propagate disinformation when you say that Idi Amin was responsible for 300,000 deaths in Uganda. This claim is surely false. Such a large death toll would have required a civil war lasting at least 15 years.

Re Mobutu: One assumes that your readership already knows that this tyrant was hoisted to power by the CIA more than 20 years ago, and his tyranny maintained as a central plank of an ongoing American foreign policy in Africa.

Amadu Diallo
Tucson, Ariz.

Editor's note: Though charged with cannibalism, Bokassa was found innocent in a 1987 trial. In that same trial, he was convicted of murdering at least 20 people. As for Amin, several sources list the estimated death count under his rule at up to 300,000—and Amnesty International has reported that it may be as high as 500,000.

Autocratic agriculture

After reading Joseph Schuman's letter (ITT, October 31), I realized that a world autocracy probably is a reality of the not-too-distant future. As a dairy farmer I am also painfully aware that American agriculture is already controlled by an autocracy of multinational agribusiness corporations.

Over 90 percent of the chicken sold in America is controlled by a

handful of corporations; 75 percent of the fed cattle are controlled by three corporations; most fruit and vegetables are grown within an intensive system relying heavily on chemical pesticides and fertilizers, while ignoring the health and dignity of the migrants who work the fields.

Farmers who are trying to adopt a more sustainable way of farming by using fewer chemicals, less animal confinement and fewer "high tech" inputs are often ridiculed as being inefficient or perhaps modern-day Luddites.

When we small farmers sell our produce, we take whatever price is offered; and when we buy feed, seed, machinery or whatever, we pay market price. I sell my milk for less than I did 15 years ago, yet the cost of most inputs has skyrocketed. Consumers pay a higher price; small farmers receive less and corporate America becomes bloated on the profits.

One of the policies of the U.S. Department of Agriculture is to maintain a source of cheap food for the American public. But chemical-based agriculture is not cheap. The true cost of our intensive non-sustainable food supply is not really reflected in the supermarket checkout line. The corporate control of agriculture forces farmers to produce more for less and gives the average consumer little choice as to the quality of the food they can buy.

James P. Goodman
Wonewoc, Wis.

On the line

! Thank you so much for the two "Hostile environment" articles in the October 17 ITT. As a dedicated Earth Firster! it made me even more willing to set my life on the line to enforce current enviro-laws, strengthen laws that are weak and stand behind those environmentalists who have already put their lives on the line.

Diane Reimers
Jackson, Wyo.

Humane suburb

I would like to respond to Roger Kerson's November 28 article. Kerson paints a picture of Evanston, Ill., as a heartless city that has started a campaign to discourage people from giving money to panhandlers on the streets. As an Evanston resident, Kerson should know that he is presenting only half the story—in fact, Evanston has come up with some of the most creative ideas in the country toward dealing with its needy citizens.

Evanston is not an "affluent suburb"—there are wealthy neighborhoods, but also plenty of working-



class and poor people. Those who encounter panhandlers are typically people who live in densely populated areas and ride public transportation—people who are struggling to make ends meet themselves. We want to help, but we cannot afford to give money away indiscriminately to those who would buy alcohol and cigarettes rather than food and clothing.

Evanston has intelligently addressed this dilemma with its streetworker program, which attempts to direct the panhandlers to social service agencies that can truly provide help.

Another proposed program would allow citizens to buy books of food coupons to give as handouts on the street, with the proceeds going to the aforementioned agencies. Contrast this humane approach with that of the truly affluent suburbs, which simply clear the beggars off the streets and send them on their way.

By lumping Evanston's programs with the right-wing agenda of the new Congress, Kerson does a disservice to the well-intentioned socially conscious people of his hometown, and ultimately to the poor themselves.

Sanford Stein
Evanston, Ill.

InSHORT



Energy Secretary
Hazel O'Leary

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RADIOACTIVE PORK

The backers of a \$1 billion laser fusion program proposed for northern California's Lawrence Livermore laboratory claim that nuclear safety is their main concern. And when Energy Secretary Hazel O'Leary announced approval for full-scale design of the project during a campaign swing through California in support of struggling incumbent Sen. Dianne Feinstein, she talked about jobs.

But critics of the program, including California Democratic Reps. Ron Dellums and Pete Stark, claim that the Pentagon wants to use the program as a way to maintain America's ability to design nuclear weapons despite a global moratorium on nuclear testing. The proposed National Ignition Facility (NIF), which will simulate thermonuclear explosions, will help scientists learn more about the science of bomb making. (See "In Short," August 22.) With that knowledge in hand, more powerful nukes could be built in the future without a nuclear test ever taking place, according to Marylia Kelley of Tri-Valley Citizens Against a Radioactive Future.



Load up the trains

Radio talk-show host Emiliano Limon of KFI-AM in Los Angeles,



describing the homeless as "a burden" and "a waste of space," last summer called for their extermination. "If homeless people cannot survive on their own," he said, "why shouldn't they be put to sleep?"



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A change of heartlessness

Following an outcry over those remarks, Limon has



rethought his views. Last month, after volunteering at a homeless shelter, he

declared that instead of being killed, street people should only be sent to internment camps in the desert.

A different kind of nuclear freeze

Local officials have killed a proposal brought by 41,000



children from 50 states and 53 countries to build a peace park in Los Alamos, N.M.,

the birthplace of the atomic bomb. The county council nixed the plan, fearing activists would use it as a rallying point. "I am not worried about the kids out there," said Councilor Jim Greenwood, "but I am worried about some of our adult friends."

The new socialist man

General Motors is finding that East German workers,



accustomed to totalitarian rule, make great assembly-line employees.

One expert told the *New York Times* that the East Germans were "desperate for jobs" and "hadn't learned all the bad tricks" of Western workers.

Stunned by a stupid statement? Nauseated by a noxious news item? Livid about a ludicrous lie? Contact the Appall-O-Meter, 2040 N. Milwaukee, Chicago, IL 60647

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9. Zhukovskyesque
10. Where have you gone, Joe Goebbels?

Mike Campbell, the associate director for laser programs at Livermore, disputes those claims. "Every expert who is involved in nuclear weapons will tell you that you need testing to certify nuclear weapons," Campbell told *In These Times*. "This is not a nuclear test." Backers of the project claim that the laser simulation program will enable scientists to maintain their weapons handling skills, and thus help to ensure the safety of the current nuclear arsenal. But even Campbell acknowledges that the project will yield new insights that could be useful in the design of nuclear weapons.

Critics charge, moreover, that the program reeks of pork. Some 250 permanent workers will be employed on the project, and thousands more will find work during its construction, in a state that is still mired in the economic doldrums. "Given that the secretary had decided to go ahead with the program, under pressure from the Pentagon, it was clear this was a pork-dispensing trip that she made through California, campaigning for Dianne Feinstein in late October," Kelley charges. Any jobs the program creates, though, will come at quite a cost: the government will spend \$1 billion to get the project built, and even more to run it.

Despite O'Leary's backing, the struggle over the NIF is far from over. Next year, Congress will be asked by the Clinton administration to appropriate \$55 million in funds for fiscal year 1996 to go ahead with the design of the project. Those who oppose the program will have several opportunities to voice their views. Dellums, the outgoing chairman of the House Armed Services Committee, was able to secure a deal with O'Leary for a series of public hearings to discuss issues related to the NIF. "We will monitor NIF closely to ensure that the important facts get put on the table, and that DOE lives up to the public participation it promised," Kelley insists.

—Gene Koprowski

THE ADMINISTRATION'S NEW AIDS DIRECTOR

AIDS groups are expressing cautious optimism about President Clinton's recent appointment of Patricia "Patsy" Fleming to head the administration's fight against the disease.

Fleming had stepped in as interim AIDS policy coordinator after Kristine Gebbie was forced out last August. Activists had pushed the White House to remove Gebbie, criticizing her for lacking both a sense of urgency about curing AIDS and the political clout to mold the federal response to the disease. She finally resigned under White House pressure. (See "In Short," August 8.)

On the whole, Fleming has been well received by the pressure groups that had urged Gebbie's dismissal. Fleming took the position after two years as the point-woman on AIDS for Health and Human Services Secretary Donna Shalala, with whom she is expected to work closely. Before working for HHS, Fleming spent nearly a decade on the staff of the late Rep. Ted Weiss (D-NY).

AIDS groups appreciate Fleming's experience with the legislative process. But some worry that her former affiliation with a liberal congressman and her close ties with the administration will be liabilities in working with the new Republican Congress, according to Gary Rose of the National Association of People With AIDS (NAPWA).

Fleming, an African-American divorced mother of three sons—one of whom is gay—has received backing from NAPWA as well as from the AIDS Action Council, a lobbying group, and from the National Association of Black and White Men Together (NABWMT), a gay multicultural organization that targets minority gays for its AIDS prevention efforts. ACT UP Washington is less enthusiastic about Fleming.

Despite their general support for Fleming, AIDS organizations remain disappointed with the administration's efforts. On the campaign trail, Bill Clinton had pledged to create the cabinet-level position of "AIDS czar" with broad powers to fight the disease. He has not followed through on that promise. Fleming's title has been changed from national AIDS policy "coordinator" to national AIDS policy "director." But she has received no additional authority and will have no direct control over how AIDS funds are spent. "The changes are only cosmetic," says ACT UP Washington's Wayne Turner.

Still, Clinton insists that Fleming will have access to him—something Gebbie clearly lacked. And Fleming has indicated that Clinton's guarantee of access was an important factor in her decision to take the job.

Nonetheless, AIDS simply won't be a priority for the administration in its second two years, according to Will Brennan, NABWMT's executive director. "AIDS issues just aren't going to be on the front burner," he says. "Congress won't put them there and the president can't because he has to save his own neck."

—Shawn Neidorf

CLINTON'S RETREAT ON HUMAN RIGHTS

In the aftermath of President Clinton's visit last month to Indonesia, human rights advocates are criticizing the White House for what they see as a retreat on the issue.

Clinton traveled to Jakarta to take part in the Asia-Pacific Economic Cooperation (APEC) summit. The president concentrated his efforts on eliminating stiff trade barriers so that American companies could take advantage of Indonesia's timber, cheap oil and natural gas, as well its mostly literate (and inexpensive) labor force.

But critics say that by focusing almost exclusively on trade, the president blew a chance to pressure Indonesian President Suharto on human rights issues. Amnesty International recently released a report that outlined a "human rights disaster" in Indonesia, charging that over 200,000 people have been killed or "disappeared" since 1975.

"Suharto and Clinton gave pro forma treatment to the human rights issue," says Mike Jendrzeczyk of Human Rights Watch/Asia. He believes "the U.S. could have done much more. There was no serious economic or political pressure exerted."

Administration defenders argue that the APEC meeting was never intended to be a forum on human rights. But last year at the APEC summit in Seattle, Clinton brought the human rights issue to center stage when he pressured China's leader, Jiang Zemin, for improvements. (See *ITT*, December 13, 1993.) Since that time, however, the administration has tilted away from link-

MEDIA BEAT

By Pat Aufderheide

Larry and Rush

Sen. Larry Pressler (R-SD), the new chairman of the powerful Commerce Committee, hopes to pass a telecommunications bill next year. Public-interest advocates are not happy about the idea. Pressler told *Broadcasting* magazine that setting aside more of the infobahn for nonprofit uses would allow "the public broadcasting types to set the agenda in the country."

Pressler, apparently, prefers Rush Limbaugh and his ilk. "The reason that the Rush Limbaughs have done so well," he explained, "is that there is a thirst out there for the truth, and I think that he's done a great job."

Listen up

Now that he's on top, Newt Gingrich is trying to make sure that an old ally doesn't become a new enemy. He says he'll be meeting with about 20 radio talk-show hosts each month, as part of his plan to use "alternative means of communicating other than the elite media."

The big get bigger

Ever since the 1992 act putting price controls on cable television, cable operators have been throwing a very public tantrum by refusing to add new programming. Now the Federal Communications Commission (FCC) has loosened the rules to encourage new channels and services. But, as *Variety* notes, it hasn't helped the little guy.

Aspiring new services, such as the country music channel Americana, have often given

up trying to find space on cable systems, most of which are controlled by large multi-system operators such as TCI and Time Warner, which own their own programming.

The FCC also seems to be in a mood to help other big guys get bigger. It is now considering plans to allow individual companies to own even more TV stations, and to permit owning more than one medium (TV, radio, print) in a market. Meanwhile, a new government report shows that minority ownership of commercial TV, AM and FM radio stations remains abysmally low, at about 2.9 percent (ever so slightly up from last year).

Bigger brother

One of the last gifts of the outgoing Congress was a law requiring phone companies to design new systems that the FBI can wiretap. (The government can easily wiretap now, but changing technology makes it harder.) The American Civil Liberties Union and others opposed the legislation, arguing that it set a dangerous precedent by assuming that the government had a right to require companies to let them snoop.

The law excludes on-line services, requires that a communications company know about the wiretaps and mandates some taxpayer burden for the costs. (That way the costs will be public, and something to argue about.) Public-interest organizations differ on ways to address these issues, but everyone agrees that in the Internet era the privacy problems are hair-raising.

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ing human rights to commerce, especially after its decision last May to give China "Most Favored Nation" trading privileges.

For their part, some American business leaders are defending the new White House approach. "American investment in Indonesia will be good for American workers and good for Indonesian workers," says Tony Albrecht of the U.S.-ASEAN Council, a group representing U.S. businesses with investments in Near East Asia. "I am personally convinced that business investment and trade investment create a more open process whereby human rights are improved."

But the Suharto government's recent actions do not seem to bear Albrecht's analysis out. In the months prior to APEC, repression in all sectors of society intensified. Just before the summit, for example, Indonesia's most prominent labor activist, Muchtar Pakpahan, was jailed and sentenced to three years in prison for allegedly inciting violence. Amnesty International considers him a prisoner of conscience, imprisoned solely for his political views.

The military is also apparently holding some 40 students from East Timor—which Indonesia has occupied since 1975—who were linked to human rights protests during the summit. Another 29 East Timorese students who had climbed over U.S. Embassy walls to stage a protest were safely evacuated to Portugal with the aid of the Red Cross.

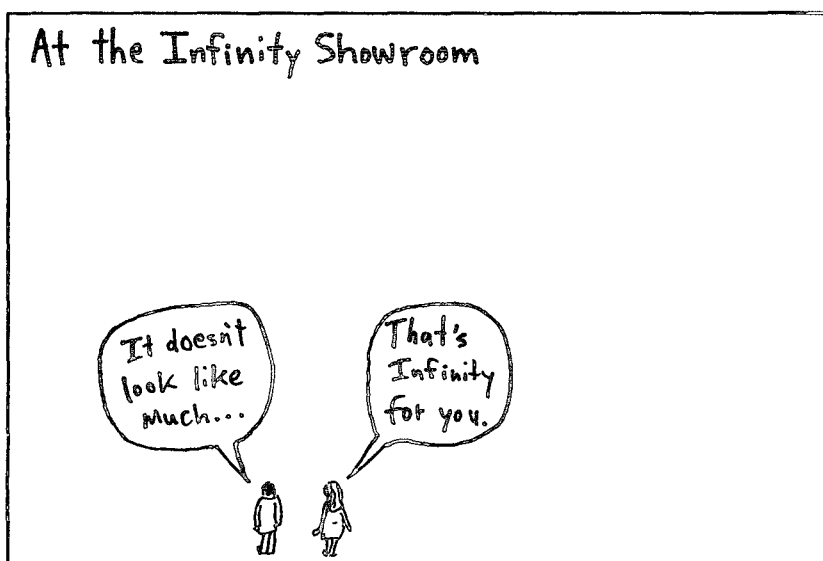
Indonesia is not the only country in the region with an authoritarian regime and rapidly modernizing economy. Singapore, China and Malaysia also have troubling human rights records. But human rights advocates doubt that concrete progress can be made in any of these nations without U.S. leadership.

"Human rights has really been pushed to the margins by this administration," says Sidney Jones of Human Rights Watch/Asia. "This administration has not come up with any alternative to economic pressure. Once they said they wouldn't use economic leverage ... human rights effectively was off the diplomatic agenda."

—April Oliver

ROUGH CUTS

By JA Reid



I N P E R S O N



ON GOD'S STREETS

Edwina Gateley offers direction

Two blocks from Wrigley Field, on Chicago's north side, there's a typical three-story grey-stone named Genesis House, a place where new beginnings grow out of chaos. If you are a prostitute, you can knock on the door at any hour, day or night. Here, says Edwina Gateley, founder of Genesis House, women are empowered to deal with the violence that has been wrought upon them.

Gateley, an independent-minded Catholic, found her faith in a child's vision. As the daughter of what she describes as a typically dysfunctional working-class family in Lancaster, England, she "stumbled upon a living god" with whom she spoke frequently in an empty cathedral.

At her local school, from which children customarily graduated to work at the nearby shoe factory, Gateley caught the eye of a sympathetic teacher who encouraged her to go to university. Gateley says she promised God that if she graduated university with distinction, she would become a missionary—which she did in 1964.

After three years in Uganda, Gateley began to understand how little the Africans needed her religion, how much bigger their God was than her own. In Africa, she says, "God unfurled like a huge carpet."

ETC.

By Jim McNeill

Food for thought

What a difference a decade makes. During the heart of the Reagan '80s, American progressives struggled mightily to get the mainstream media to report about U.S. involvement in Central America's dirty wars. For the most part, their efforts were thwarted by an administration that had mastered the art of propaganda. (For details, see "Bad company" on page 14.)

In recent years, however, the left has scored some surprising successes in exposing U.S. complicity in the crimes of the region's reactionary governments. Perhaps the most prominent success has been that of Jennifer Harbury, the American lawyer whose recently concluded hunger strike in support of her missing Guatemalan husband gained sympathetic coverage from CBS's *60 Minutes*, ABC's *Good Morning America*, *People* magazine and the *New York Times*. Harbury ended her 32-day hunger strike on November 11 only after receiving assurances that she would meet with high-level Clinton administration officials. On November 21 Harbury did, in fact, meet with National Security Adviser Anthony Lake and Assistant Secretary of State for Human Rights John Shattuck.

A key motivation for the meeting may have been a strongly worded editorial that appeared in the *New York Times* on November 9. The *Times* called on the Clinton administration to support Harbury's search for her husband, Efraín Bámaca Velásquez, a commander in Guatemala's guerrilla army who disappeared during a 1992 firefight with the coun-

try's military. The military has claimed Bámaca was wounded in battle and committed suicide. But Harbury believes that he—along with other guerrillas—was captured alive and taken to a secret military torture center. (See *ITT*, July 25, October 14.)

In its editorial, the *Times* applauded Harbury "for defying ... a brutal military culture that is trying to cover its tracks." Referring to the 150,000 Guatemalans killed or "disappeared" during the country's four-decade civil war, the *Times* said, "Most victims of the Guatemalan military—mainly poor Indians—have been innocent actors in a genocidal war that has been encouraged or tolerated by the Central Intelligence Agency." Those words represent a sea change in opinion. After all, this is the same *New York Times* that during the '80s "disappeared" the byline of correspondent Raymond Bonner after he chronicled the handiwork of El Salvador's U.S.-supported death squads.

While Harbury may have won the war of the U.S. op-ed pages, she is the first person to acknowledge that the battle to end human rights abuses within Guatemala is far from over.

In a November 14 letter Harbury sent to supporters just after ending her 32-day fast, she said, "it is more critical than ever that we continue to work together and pressure our government" to take a hard line against the Guatemalan military's excesses. With military repression in Guatemala on the rise, and peace talks between the government and rebels bogged down, Harbury's cause grows more urgent by the minute.

Back in England, Gateley lost no time organizing the Voluntary Missionary Movement (VMM). Prior to that there had been no meaningful program in the Catholic Church for lay missionaries. VMM has since sent forth more than 1,000 lay missionaries, all of whom, like Gateley, understand missionary work as a mutual sharing of friendship, faith and talent.

Gateley left the work of running VMM to others and in 1979 she came to Chicago, where she earned a master's degree in theology. In 1981, Gateley began nine months in solitary retreat, waiting in silence to learn what God wanted her to do next. Out of that meditation she came to the understanding that her mission had to do with prostitution. Gateley had long been intrigued by prostitution, harboring the suspicion that almost all women, sooner or later, were required to prostitute themselves on some level.

In 1983, with no plan and few contacts, Gateley returned to Chicago, rented herself a room in the vaguely seedy Uptown neighborhood and began to walk the dark streets, befriending the women she met there. She was not surprised to learn that the large majority of prostitutes she spoke with had a history of childhood abuse. "Prostitution," she says, "is an abusive condition not to be tolerated or legalized. It is to be understood and alternatives offered."

Genesis House is now firmly established, receiving grants and praise from the Centers for Disease Control, among others. The House has been particularly lauded for its work in AIDS education.

Gateley herself is in and out of Chicago. She spends the lion's share of her time doing what she calls extension work—speaking and writing in order to raise the public consciousness about the deplorable and economically wasteful double standard prostitutes face. It is prostitutes who are arrested, jailed and fined while their customers go blithely home to their families in the suburbs or Chicago's better neighborhoods.

She is encouraged by what she perceives as a groundswell of compassion and a growing public doubt that the allocation of scarce law enforcement resources to fight prostitution simply does not make economic sense.

Gateley's home base is now in Grand Rapids, Mich., where she and her assistant, Maureen Donnelly, are raising Gateley's 2-year-old adopted son. When Gateley couldn't find a single book that would positively introduce her son to God, she wrote *God Goes on Vacation*, which tells the story of how God, oppressed by the crowds of pathetic penitents clamoring for His attention, takes off for a week in Florida.

Gateley's publisher, Jane Clark of Source Books, says that Gateley's books (she has written several) will always be rejected by conservative Catholic bookstores. Gateley seems surprised by such rejection. She was astonished last year at the fuss that followed a Chicago meeting of Call To Action, a liberal Catholic group. Asked to co-lead a group liturgy, Gateley, wearing a Hessian stole that children had decorated with acorns, joined a priest on the dais. But a photograph of her, apparently alone, with arms raised, appeared in several Catholic periodicals. The resulting hue and cry led to the cancellation of several speaking engagements. "You'd have thought I'd raped the bishop on the altar," Gateley says.

Although she disdains the church's patriarchal power structure and condemns its indifference to the needs of its people, Gateley says it has never occurred to her to abandon the church. The Catholic tradition, the mystery and the silence, is the bedrock of her faith. "I am the church," she says, with a stunning simplicity. "I cannot leave who I am."

—Susan Kimmelman

T H E F I R S T S T O N E

REFORMERS AND ABOLITIONISTS

By Joel Bleifuss

The American electoral system, fueled as it is by private money, virtually assures that politicians who want to achieve higher office must eventually sell out to their largest contributors. Take Bill Clinton. In 1980, he ran for a second term as Arkansas governor on his progressive and populist record—a record that had alienated the state's chicken, lumber, utility and trucking industries. Michael Kelly, in a July 31 *New York Times Magazine* profile of Clinton, writes that in that 1980 election “the entire corporate establishment of Arkansas” put their money on Republican hopeful Frank White in a successful effort to defeat Clinton.

The chastened ex-governor quickly learned on which side his bread was buttered. Never again would the man who was to become the New Democrats' standard-bearer turn his back on big money.

The co-optation of erstwhile reformer Clinton is not unique. Most officeholders spend much of their career pandering to special interests. As a result the public interest suffers.

According to opinion polls, Americans want to get private money out of politics, and they are willing to spend public money to do so. Even some newspapers are beginning to talk about public funding of elections. The *St. Louis Post-Dispatch* put it this way: “Public financing would give back to the people their elected representatives.” And *USA Today* editorial writers issued this imperative: “Remove private money from campaigns through public financing, and lawmakers will put the public interest first, where it belongs.”

But how do we get from here to there? Latter-day suffragists are debating the ways the campaign finance system can be reformed. All agree, at least privately, that in an ideal world elections would be publicly funded. And almost all agree that real change will not come by wasting time on the Beltway treadmill. But they disagree over what strategy to pursue.

Reformers would keep the current system of privately funded elections intact, but limit campaign contributions to

\$100 or so, down from the current level of \$1,000 for individuals and \$5,000 for PACs. Abolitionists, by contrast, see an immediate grass-roots campaign for publicly funded elections as the only way to effectively reach the point where candidates are elected by the public support they earn and not the amount of money they raise.

The Center for New Democracy, a campaign finance reform group in Washington, working in close alliance with the New Party, ACORN and state Public Interest Research Groups, has been promoting \$100-limit referendums across the country. “One hundred dollar limits do in fact take a significant

amount [of money] out of the process,” says the center's executive director, Donna Edwards. “I don't quarrel with proposals for public financing. The question is finding a strategy for getting there that motivates people and makes them feel like they have some control over the process.”

Edwards points out that \$100 limits are easy for the public to understand and accept. In last month's election, \$100-limit proposals passed in Montana, Oregon and Missouri. In Colorado the limits failed when a consortium of business interests poured their money into a campaign to defeat the proposal.

Although \$100 limits have carried the day across the nation, Randy Kehler, a co-founder of the Nuclear Freeze campaign of the early '80s, worries that piecemeal reforms like \$100 limits will prove easy to evade. “One hundred dollar limits squeeze money out the sides,” says Kehler, who is a member of the Working Group on Electoral Democracy, a loose association of grass-roots organizers committed to overhauling the current system of campaign financing.

He is concerned that such limits do not address the problem of millionaire candidates who are able to use vast amounts of their own money to “buy” elective office. This legal loophole comes courtesy of *Buckley vs. Valeo*, the 1976 Supreme Court decision upholding a candidate's right to contribute unlimited funds to his or her campaign. The court justified its ruling by defining such an expenditure as an expression of free speech. (See “The First Stone,” November 14.)

Jamin Raskin, an associate dean of the Washington College of Law at American University, doesn't believe \$100 limits will be enough to reform the system, yet he supports them. Raskin believes that there is a “constitutional imperative” for what he calls “citizen-financed elections.” According to Raskin, “Fifty years from now Americans will look back on the private financing of elections as not only corrupt but insane. The question is how do we get to that point in cultural evolution where we understand that private money should not be shaping the outcome of pub-

lic elections. I am a suffrage radical and believe in total public financing, but it seems the \$100 initiatives are one good way to change the dynamic."

"The \$100 measures won't work," Raskin continues. "For high office ordinary people won't be able to raise enough money to defeat a millionaire candidate. And at that point the constitutional question will be dramatically posed: Should we go back to a system where candidates get huge contributions from wealthy elites, or should we go to a system where candidates are accountable to the public?"

The \$100 limits also do nothing to address the undue influence of "independent expenditures"—money spent to influence an election by groups that are not officially affiliated with an electoral campaign. For example, in last month's election the National Rifle Association effectively used such independent expenditures to help defeat a number of incumbents.

Nor do \$100 limits address the issue of bundling, in which contributions from individuals are consolidated and presented as a packaged contribution. In fact, skeptics say, \$100-limit proposals will further encourage this practice.

Critics are also concerned that \$100 limits will provide an easy fix that will only derail moves toward a system of full public financing. John Bonifaz, of the National Voting Rights Institute in Boston, put it this way: "I don't feel that the Center for New Democracy strategy is leading toward real reform. I haven't read anywhere in their literature that total public financing is on their agenda."

The Center for New Democracy's Edwards dissents. "I don't buy the argument that it will stop the reform movement," she says. "People are hungry for reform and once they get some they want some more. There is not a right or a wrong here, an either/or. The time is ripe for all of us who really believe in reform to put as many of these options out on the table as possible." According to Edwards, some states are ready for public financing, others are not.

In fact, a public opinion survey commissioned by the Center for New Democracy indicates that 56 percent of Americans support publicly financed elections. The center's polling information begs the question: Why not skip the \$100 strategy and work for full public financing?

Says Kehler, "I am certainly not convinced that the Campaign for New Democracy strategy is an effective route to campaign finance reform, but I am willing to be proven wrong. The burden is on us to come up with a better one." And Kehler thinks he has. He and other members of the Working Group on Elec-

toral Democracy have drafted a proposal for a "voluntary system of full public financing for primary and general elections." Under this system, candidates who agree not to use private money beyond a certain date would receive equal amounts of public financing. Eligibility for funds would depend on the candidates' ability to raise a threshold level of \$5 "qualifying contributions" prior to the primary campaign season. The group plans to help put such a proposal to the voters of Maine in 1996.

The Working Group has won a valuable ally in Ellen Miller, the executive director at the Center for Responsive Politics, a resource center in Washington that for the past 11 years has been providing information about the influence of money on the political system. "I think Kehler's proposal is the only thing that will do the trick," says Miller. "I have looked at hundreds of campaign finance reform proposals, and that is the only proposal for democratically financed elections that will sever the link between big money and public officials. And it does it in one fell swoop."

Imagine. Under a system of democratically financed elections, populist governors like the young Bill Clinton could buck the system, and run for office on equal footing with any corporate-backed shill. And under such a system, New Democrat Bill Clinton could face a strong primary challenge from a real Democrat who hasn't sold out.

THE ADVENTURES OF A HUGE MOUTH

by Peter Hannan



POLITICS

Bad company

The CIA's dirty tricks, which for years undermined foreign governments, have distorted American political life as well.

By Robert Parry

B

y the summer of 1983, CIA Director William J. Casey knew that his pet war in Nicaragua was in trouble. Despite millions of dollars from the CIA, the contras were little more than a death-squad-in-waiting. They could torture, slit throats and rape with the best of them. But they hadn't captured an inch of Nicaraguan territory.

So with President Reagan's secret approval, Casey started a new two-front war. One front was in Nicaragua, where Casey ordered special CIA commando teams to launch coastal raids to destroy Nicaragua's oil supplies and mine its harbors—while the contras falsely claimed credit.

The second front was in the United States, where one of the great fears of the Cold War was about to be realized. The CIA, in the person of its director,

would advocate the use of CIA techniques—propaganda and covert political action—to mislead the American public. This intervention, which received scant notice in the Iran-contra probes, left behind a dangerous legacy by encouraging conservative groups to rely increasingly on disinformation and intimidation as the preferred means to their political ends. The scorched-earth polemics of Rush Limbaugh and Newt Gingrich owe much to the tactics refined by Casey in the '80s.

On a muggy day in August 1983, Casey summoned a team of ad men to his hideaway office at the Old Executive Office Building, next to the White House. Casey wanted advice on how to “sell a new product,” one of the ad men later acknowledged. The new product was Casey's alarmist vision about the spread of communism through Central America.

Casey's consultation with the ad men was part of a historic reappraisal under way inside the Reagan administration on how the federal government could best manage U.S. public opinion in the wake of the Vietnam War and Watergate. At the center of this

debate was CIA director Casey, who understood the power of deception from his days as a World War II spymaster.

Within a few months, a fledgling “public diplomacy” team had taken shape with the explicit goal of pitching the administration's hard-line foreign policy to a skeptical nation—not just defending the contras but also supporting El Salvador's brutal military, promoting the war in Afghanistan and justifying expensive new strategic weapons systems such as Star Wars.

Over the next several years, the public diplomacy operation evolved into a sophisticated propaganda ministry. The primary public diplomacy office on Central America was located at the State Department. But internal government documents show that the operation was managed, day to day, by the CIA's top propaganda expert, Walter Raymond Jr., who transferred out of the CIA to the National Security Council (NSC) staff to skirt the law barring domestic CIA operations.

Raymond pulled in dozens of experts from the State Department, the CIA, the Defense Intelligence Agency and the Army's psychological warfare unit at Fort Bragg, N.C., to staff the public diplomacy effort. Until the start of the Iran-contra scandal in the fall of 1986, Casey actively oversaw the operation, undeterred by legal prohibitions against the CIA influencing American politics and policies.

In a 1987 deposition taken by congressional Iran-contra investigators, Raymond justified Casey's role with the lame excuse that the CIA director undertook these activities “not so much in his CIA hat, but in his adviser to the president hat.”

Not surprisingly, given the personnel, the operation adopt-

ed CIA tactics normally reserved to influence “enemy” populations abroad. Inside the Reagan administration, propaganda methods also were meshed with the latest in advertising techniques, such as polls and focus groups that identified the public’s pushable “hot buttons.”

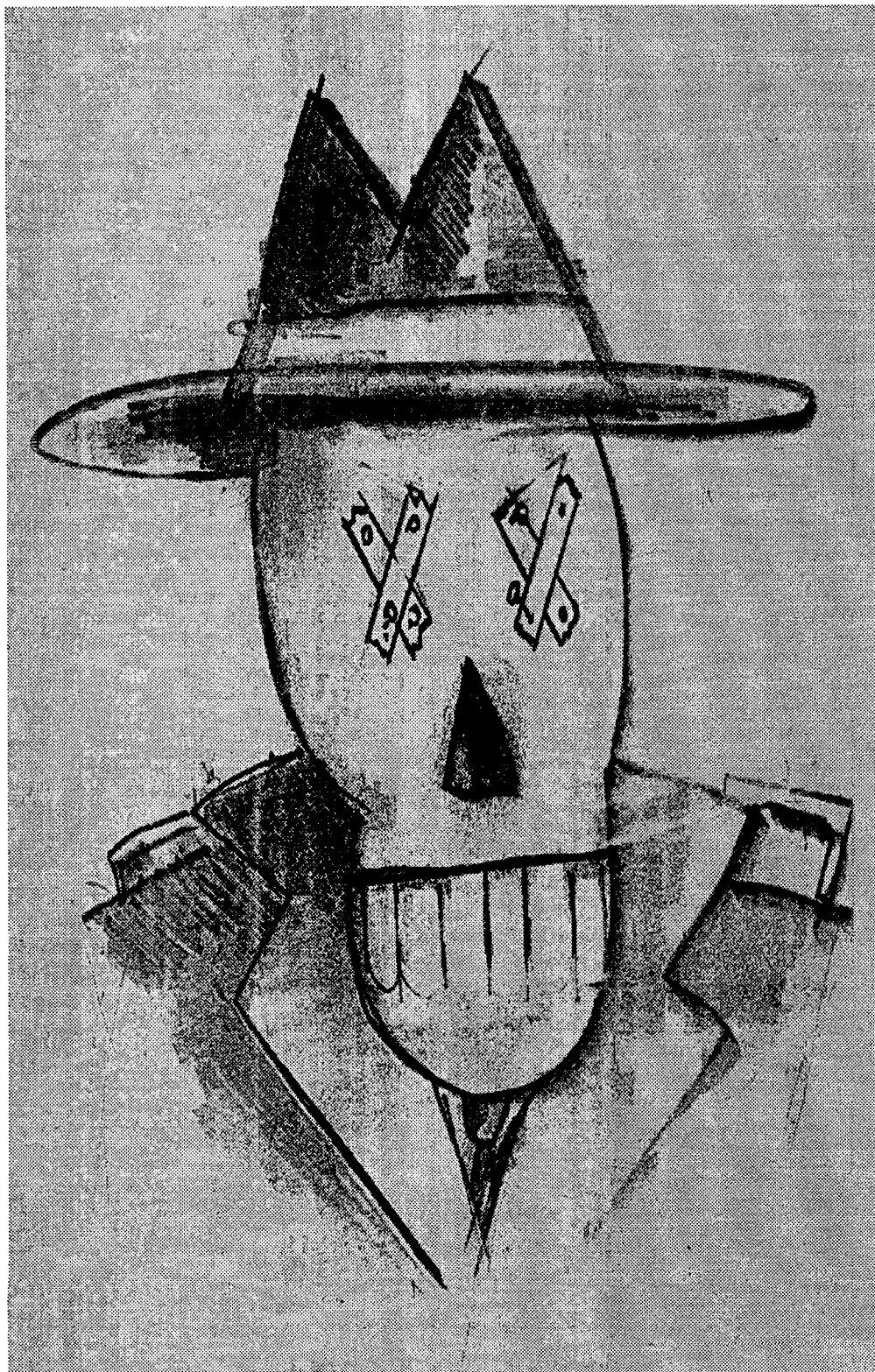
From the start, it was clear that the plan for Central

America was simple: distort the truth. In Raymond’s memorable instructions to his shock troops (later recovered from White House files), the goal in Nicaragua was “gluing black hats on the Sandinistas and white hats on UNO,” the contras’ political front group. So the contras suddenly became the “moral equivalent of the Founding Fathers” and Sandinista-ruled Nicaragua became “a totalitarian dungeon.”

Raymond’s team worked fiercely to discredit any evidence contradicting the administration’s black-and-white picture. So in 1985, when human rights investigator Reed Brody collected 145 affidavits detailing widespread contra atrocities against civilians in northern Nicaragua, he was quickly denounced as a “Sandinista sympathizer” and his findings challenged.

The CIA prepared a special report intended to discredit Brody, which was leaked to pro-contra writer Fred Barnes of *The New Republic*. The CIA report cleared the contras of allegations that they routinely slit the throats of captives by arguing, bizarrely, that the allegations must be false because contra troops “are normally not equipped with either bayonets or combat knives.” The contras, however, were seen in any number of photographs carrying machetes.

Another trick was to dispatch supposedly independent figures to counter the serious work of major human rights organizations that continued to uncover evidence of contra atrocities. In 1985 and 1986, a Brigham Young student named Wesley Smith received widespread media exposure for his investigations, which, he claimed, found no evidence of contra human rights violations, only Sandinista ones. In 1985, similar pro-contra testimony was given to the House by Thomas Dowling, who arrived dressed in the garb of a



©PETER HANNAH

Roman Catholic priest. Iran-contra records would later show that both Smith and Dowling received money from Oliver North's funding network. It also turned out that Dowling was not a Roman Catholic priest.

Public diplomacy operatives also aggressively attacked journalists who still dared to write critically about the contras. With disturbing success, the administration's team lobbied news executives to rein in or replace reporters and editors who failed to toe the White House line. Succumbing to high-pressure visits, government-subsidized National Public Radio ousted the network's foreign editor, Paul Allen, who had allowed the airing of a segment about a Nicaraguan village mourning a contra massacre of farm workers.

Another tactic to neutralize reporters was cruder. Public diplomacy officials spread rumors about journalists in Central America, particularly women, accusing them of sleeping with Sandinista or KGB agents. As one of Raymond's top operatives, Otto Reich, boasted in an internal memo, the public diplomacy teams took "a very aggressive posture vis-à-vis a sometimes hostile press" and "generally did not give the critics of the policy any quarter in the debate."

Despite the administration's best efforts, of course, some Iran-contra secrets did seep out and the scandal finally broke—mostly outside of Washington, with a contra supply plane shot down in Nicaragua and disclosure in a Lebanon

newspaper of President Reagan's secret arms sales to Iran. But the Reagan administration, still heady with its years of success in managing the news, gave ground only grudgingly. It covered up the involvement of senior officials in the scandal and waged a fierce rearguard action to conceal the existence of the domestic propaganda campaign.

When the congressional Iran-contra probe ended in October 1987, three moderate Senate Republicans—Warren Rudman, William Cohen and Paul Trible—agreed to sign the already watered-down findings only on the condition that a chapter about the propaganda operation be dropped. The ever-accommodating committee chairman, Lee Hamilton, agreed, jettisoning this important finding. The American people were thus spared knowledge of how the CIA and the White House had collaborated to deceive the nation.

According to the suppressed chapter's conclusion, the Reagan-Casey covert propaganda apparatus had used "one of the CIA's most senior specialists [Raymond], sent to the NSC by Bill Casey, to create and coordinate an inter-agency public-diplomacy mechanism. [This network] did what a covert CIA operation in a foreign country might do—[it] attempted to manipulate the media, the Congress and public opinion to support the Reagan administration's policies" in Central America.

Spooky

It's almost as if a propaganda expert were giving the CIA a dose of its own medicine. Since the FBI belatedly nabbed CIA officer Aldrich Ames as a KGB mole in February, the spy agency has faced a string of PR disasters. Besides Ames, faulty intelligence reports on Haiti and cost overruns on a new building, there is the new embarrassment of a top female officer suing the CIA for sex discrimination.

The case began four years ago in Jamaica, where Janine Brookner, now 53, was station chief. After Brookner accused her male deputy of beating and choking his wife, the deputy and two other CIA officers countered by telling the CIA's general counsel that Brookner was a drunken sexual temptress.

Siding with Brookner's deputy, an internal inspector general's report criticized Brookner for wearing, at her house in tropical Jamaica, "brief shorts and thin T-shirts with no perceptible or very skimpy underwear." Her appearance led her male subordinates to "believe she might make a pass" at them, the CIA report said. The negative report sidetracked Brookner's career.

Brookner retaliated by filing suit in federal court. She denied the sexual temptress allegations—although she did point out that underwear is normally skimpy and is supposed to be imperceptible. She added that for the men at the CIA, "drinking and sexual prowess are not considered derogatory behavior." Indeed, the Brookner complaint portrays the CIA as a place where sexual promiscuity is rampant, security breaches are common and hangovers are a regular feature for men at work. For its part, the CIA denies any bias against women.

The Brookner case is also linked to the disastrous case of Aldrich Ames, the counter-intelligence officer who earned \$2 million in nine years of passing secrets to the Soviets. Brookner had reported Ames for violating security rules in 1984 when he brought his girlfriend and future wife, Rosario, to a CIA safe house in New York City.

A year later, in 1985, Ames began his career as a paid KGB agent. The turncoat CIA officer caused "the loss of virtually all of CIA's intelligence assets targeted against the Soviet Union" in the mid-'80s, according to a U.S. government assessment. About 100 operations were compromised and at least 10 CIA agents inside the Soviet Union were executed.

Ames escaped detection, although he recklessly spent his KGB cash to buy two Jaguar automobiles and an expensive new house. One colleague alerted CIA headquarters in September 1993 that Ames flew to Europe with a laptop computer chock-full of classified information. One file in the computer was slugged "Vlad," the code name for Ames' KGB control officer. But by then, finally, the FBI was on Ames' tail.

—R.P.

But Casey's idea—the application of CIA propaganda techniques inside the United States—would outlive its chief advocate, who died of cancer in 1987. Though Congress did close a pro-contra propaganda office at the State Department in 1988, the concept of “public diplomacy” survived. Indeed, having proved so successful for so long, unabashed lying was becoming a staple of governance.

Unblushingly, George Bush insisted that he was “out of the loop” on Iran-contra, a lie that enabled the vice president and former CIA director to win the presidency in 1988. Ronald Reagan and his top men testified that they were largely ignorant of Oliver North's Iran-contra activities, a lie that enabled them to escape the consequences of their actions.

On other Central American issues, the Reagan-Bush administrations followed the same modus operandi. For a decade, U.S. officials denied reports that El Salvador's Atlacatl Battalion had slaughtered hundreds of civilians, including children, at El Mozote in December 1981. The reports turned out to be true. Similarly, President Reagan tried to foist blame for El Salvador's political murders on guerrillas who supposedly dressed up as soldiers. Again, the truth was that the soldiers were guilty.

The practice of distortion also became an issue inside the CIA. In 1991, several CIA analysts complained to Congress that the agency's top leadership had exaggerated the danger from the Soviet Union to please the White House. By hyping the Soviet menace, the CIA constructed the analytical underpinnings for the U.S. military buildup of the '80s. Indeed, the CIA was so busy “cooking” the intelligence and fretting about a Soviet threat to Texas via Central America that the agency missed signs that the Soviet Union actually was collapsing.

The Reagan-Bush administrations demonstrated the danger that the CIA can pose to the American political process when a president has little regard for constitutional safeguards or the truth. Through Casey and other CIA officials, the spy agency secretly sought to influence the outcome of a national debate over the contra war in Central America. These actions stretched the law to—and possibly past—the breaking point. Unfortunately, congressional Democrats failed to fully expose and condemn the actions of the Executive Branch.

The lesson learned, therefore, was that distortions work. Today's conservative operatives have achieved striking political success by spreading wild rumors about President Clinton and other administration officials and appointees. The various Vincent Foster conspiracy theories and the fabricated stories about political violence in Arkansas continue to undermine Clinton's public standing and are reminiscent of the sophisticated disinformation campaigns that the CIA deployed overseas. Conservatives have built a wide variety of institutions—think tanks, magazines and newspapers, radio and TV networks and a stable of hard-edged columnists—that aggressively promote and defend the skewed vision of reality that was handed down from the Reagan-Bush era.

Conservatives swarmed over special prosecutor Lawrence Walsh when the lifelong Republican cracked the Iran-contra cover-up in 1992 and indicted Caspar Weinberger and high-ranking CIA officials. For establishing the fact that Reagan's top advisers had lied almost to a man about their Iran-contra actions, Walsh was denounced as a crazed zealot.

Similarly, conservatives are trying to chip away at Jane Mayer and Jill Abramson's well-researched new book *Strange Justice* because it compiles damning evidence that Clarence Thomas perjured his way onto the Supreme Court. Since Anita Hill accused Thomas of sexual harassment in 1991, Thomas' innocence has become an important article of conservative faith.

Watching these strange Washington wars must amuse old-time CIA officers. They have destabilized governments from Chile to Iran with strikingly similar tactics of propaganda and dirty tricks. The game was always to foist off the CIA's distortions as reality, often by paying journalists to print false stories or handing out money in the bazaars to spread rumors. Now a more sophisticated version of the same game is being played in the nation's capital.

In retrospect, it was probably only a matter of time before the CIA's tried-and-untrue tactics abroad would take hold at home.

Robert Parry, who has reported from Washington since 1977, is the author of two books on Reagan-Bush era scandals, *Fooling America* and *Trick or Treason*.

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ECONOMICS

The austerity police

A

Growth used to be a main goal of capitalism. But today's financial and political leaders spend most of their time trying to beat it back.

By Doug Henwood

couple of years ago, in the midst of the Great Stagnation, a friend of mine who writes for the business press paid a visit to the posh suburban home of a prominent Wall Street economist for an interview. The conversation included a gem that went something like this: "There are some who say what we're experiencing is a contained depression. I have no problem with that. It's incredibly bullish."

What this prince of Wall Street meant was that slow growth is an ideal environment for financial assets such as stocks and bonds. In a weak economy, inflation stays low, labor unions are weak and much of society's money goes into paper assets rather than real things like televisions and machine tools.

"And," gloated the economist, "it could go on like this for five years."

Unfortunately for Wall

Street, the "contained depression" didn't last that long. Starting in late 1992, the rate of growth for the nation's gross domestic product (GDP)—the total flow of goods and services produced by the economy—picked up from the crawl of 1991 and early 1992, and by the end of 1993, the U.S. economy was expanding at something approaching its historically normal rate. Wall Street grew alarmed.

Just as stagnation had given Wall Street some of its best years ever—a riotous bull market in stocks and bonds and record profits for the big investment houses—the pickup in what financiers and central bankers call "the real sector" (everything else presumably being the *unreal* sector) began taking its toll on the price of paper assets.

When the bond market started looking rocky in late 1993, Wall Streeters turned up the pressure on the Federal Reserve. They wanted their nirvana back—a stagnant real sector and a bubbly financial one—and, to get it, they wanted the Fed to jack up interest rates. The Fed, which is practically Wall

Street's very own branch of government, soon obliged.

In February, the central bank made the first of six moves so far this year to push up interest rates; the most recent was a dramatic three-quarter point increase in short-term rates in early November. The tightening has been swift and sharp by historical standards. Although the reasoning behind such moves is cloaked in mystery and deception, the rationale is actually quite simple. Financiers hate inflation, since it erodes the value of their stock-in-trade, money itself. If the economy grows too fast and unemployment gets too low, then inflation will almost inevitably rise.

There are several reasons for this. At the highest level of abstraction, growth beyond the economy's presumed capacity limits will strain human and physical resources, resulting in an "overheating." If left unchecked, this will turn into a runaway boom, to be followed by a stunning collapse. More concretely, if markets get too tight, then shortages and bottlenecks will develop, resulting in price rises and order backlogs rather than healthy growth. And if the pool of skilled workers runs low, then wages will rise, as employers bid for the scarce resource and workers feel their power and grow more demanding. Consequently, the Fed is driving up rates to slow the economy down to a crawl—and to push the unemployment rate significantly higher.

Many liberals and populists dismiss Wall Street's worries as paranoid. There is no inflation at the moment, they argue correctly, and any concerns about its imminent outbreak are premature and possibly delusional. Wall Streeters answer this by saying that inflation measures like the consumer price index are backward-looking, and that they—and the Fed—have to worry about the future.

Painful as it is to concede, the financiers' fears are justified—within the limitations of the conventional worldview. Whether you look at the percentage of total factory capacity that's in use, or at the percentage of the workforce unemployed, as measured by the (inadequate and misleading) official statistics, the U.S. economy is now at the point where inflation has traditionally begun. Important sectors are working at a fury not seen in years.

In the auto industry, for instance, markets are strong, shortages of popular models are commonplace and plants are operating full out. In the old days, this would be a cue for the industry to hire and expand. Instead, Detroit is working current employees near to death—60-hour weeks for production workers are not uncommon—and plant expansion isn't being seriously contemplated. Last April, Wynn Van Bussman, an economist with Chrysler, told the *New York Times* that anything more than the most modest plant expansions and new hiring were out of the question. "We don't want to go through the costly experience of cutting back again, when demand weakens. We have drawn a line at how far we will go in hiring and in adding factory capacity. If we can't satisfy demand—well, there are plenty of automakers around the world who can." This attitude—*let Ford or Toyota do it, we're tapped out*—has to be an innovation in the history of capitalism, once a system where expansion and growth were among the highest goals.

It's an attitude that now pervades the top levels of power. Big business is investing mainly in cost-saving equipment like computers and other machinery, and not in the sort of gadgetry that can expand output markedly. And government, too, has been mimicking the business hostility to rapid growth. The Clinton administration has been talking down the growth numbers for most of its term in office, and its official budget projections view the '90s as one of the slowest growth decades in this century (the third slowest, to be precise, after 1910-20 and 1930-40).

The administration brags about spending restraint and reductions in the number of federal workers and their pay levels. And the Fed has made it clear that it wants GDP growth no higher than 2 percent to 2.5 percent, around 2 percentage points below the current rate, and well below the 3.7 percent average seen in non-recessionary periods since the mid-'70s. (It's even below the 2.6 percent average including recessions.) It used to be that economists tried to invent ways to goose up the growth rate; now they spend their time imagining ways to suppress it.

Despite occasional complaints from industrialists, the financiers' worldview now dominates politics and the media. Newspaper headlines regularly present strong economic reports as "alarming." While it would take a book to explore why this has happened, one important reason is the dizzying growth in financial assets themselves. The ratio of financial to physical assets is at an all-time high. To take one important example, the Reagan-Bush deficits, for example, tripled the quantity of government bonds outstanding. (To finance a deficit, the government has to sell bonds on Wall

Street, which then trades them constantly.)

Many environmentalists might find themselves experiencing an odd fellow-feeling with Wall Street, and welcome the advent of a new anti-growth attitude. They argue that growth fails to solve many economic and social problems, and wrecks the environment to boot. That can't be denied. What growth we've had over the last 20 years hasn't benefited the ordinary worker—real GDP has doubled while real hourly wages have fallen by nearly a sixth. Polarization has increased, public services have been cut back, and social life in general has gotten meaner and uglier.

But under capitalism the only thing worse than rapid growth is slow growth or none at all. Slow growth results in fiscal crises, wage stagnation and increasing social tensions as people fight over a shrinking pie. To take just one example, the heavily advertised disaster waiting to happen in the Social Security system is largely the result of official projections of very slow GDP growth over the next century—2.1 percent in 2000, drifting down to 1.2 percent by 2070. But if you add another point or so to growth rates—which only would bring them up to historical averages—the system could easily remain solvent.

Why, then, does the government low-ball projected growth rates? It may just be the instinctive prudence of actuaries. Or it may be an honest evaluation of the economy's intrinsic strengths. Or it may be a confession of policy plans. But in any case, it's clear that the political elite has accepted stagnation as a certainty for the next century.

Few in Washington ever suggest publicly that the pension crisis could be solved by speeding up growth through the sorts of public investment policies Clinton once tepidly advocated. Instead, austerity is the typical orthodox prescription, like benefit cuts and a higher retirement age. The public is being conditioned into accepting stagnation as inevitable.

Many of the things that the Fed and Wall Street fear from rapid growth—low unemployment rates and labor shortages—would be good for the average worker. But given the power of the holders of money—and "money has only one face, that of the boss," as Antonio Negri put it—challenging their suppression of growth is no small affair politically. But adapting to a slow- or no-growth world is no less challenging. It would require a very substantial overhaul of capitalism itself—something even many anti-growth environmentalists are reluctant to confront.

So there you have our choices: a head-on challenge to the growth suppressors, a challenge to capitalism itself or learning to live with austerity. If there's a fourth alternative, I don't know of it.

Personally, I vote for the major overhaul—increased public and worker control of investment policy and a reduction in the power of the financial elite. Of course, that's deeply unfashionable these days. But if no one dares be unfashionable, the future belongs to the austerity police.

Doug Henwood is editor of *Left Business Observer*, a contributing editor of *The Nation* and author of *The State of the USA Atlas*, just published by Simon & Schuster.

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PHOTO BY DAVID SCHULZ

GATT trick

D

*The Clinton
administration
is using
strange
statistics and
fuzzy logic to
advance its
free trade
policies.*

By David Moberg

During the 1992 presidential primaries, Bill Clinton advertised himself as "the free trade candidate." That's one promise he kept: now he's clearly the free trade president. Although both the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA) were largely crafted by his Republican predecessors, Clinton claims both trade pacts as major accomplishments of his administration.

After the disastrous midterm elections, the president returned to familiar free trade themes in Indonesia—where he assured officials gathered for the Asian trade summit that suspect human rights records would not be grounds for suspending trading relationships with the United States. And at the Miami

summit this month he will at least rhetorically support the expansion of NAFTA to all of Latin America. Indeed, besides deficit reduction, little remains of Clintonomics other than free trade.

That makes Clinton's economic policies nearly indistinguishable from traditional big business Republicanism. In fact, the Clinton administration has been far more active than any previous Republican administration in promoting overseas contracts for big U.S. multinational corporations. Eisenhower Defense Secretary Charlie Wilson once insisted that what's good for General Motors is good for the country. Substitute the name Boeing or Raytheon for GM, and Clinton Commerce Secretary Ron Brown could deliver the line with even greater conviction.

Politically, this Old Republican/New Democrat economic policy has been an unmitigated disaster for the president and his party. Despite Bill Clinton's loyal service to corporate America, its executives have demonstrated almost no support for the Democrats. And most within the traditional Democratic base feel that the administration's free trade policies are irrelevant, if not actually threatening, to their welfare. These incomprehensibly complex agreements also possess little appeal for the growing numbers of political independents who express dissatisfaction with both parties.

Economically, Clinton's free trade strategy is likely to deliver far less than promised. The projections used to sell NAFTA and GATT fail to take into account the changing nature of global capitalism. GATT's promoters promise that implementation of the new accord will create robust economic growth, but most of their numbers are little more than wild guesses. The pro-GATT Institute for International Economics estimates that the agreement will add \$42 billion to the U.S. gross domestic product over the next decade while the U.S. Trade Representative's office fantasizes that \$1 trillion in new growth will be created.

The record so far on NAFTA is inconclusive, but proponents' claims that the treaty has already generated significant economic growth are unproven. The trade surplus with Mexico has shrunk as imports—in many cases of sophisticated goods—have increased faster than exports. The claims of business apologists that NAFTA has created 100,000 jobs are totally unsubstantiated, according to a recent study by the Institute for Policy Studies (IPS). The IPS study documents only 535 new jobs created—even as more than 30,000 U.S. workers have filed claims blaming their lost jobs on NAFTA. Companies that have increased exports have often not increased jobs, as they slash workforces faster than markets grow. Caterpillar, a manufacturer of heavy construction equipment for world markets, is a likely

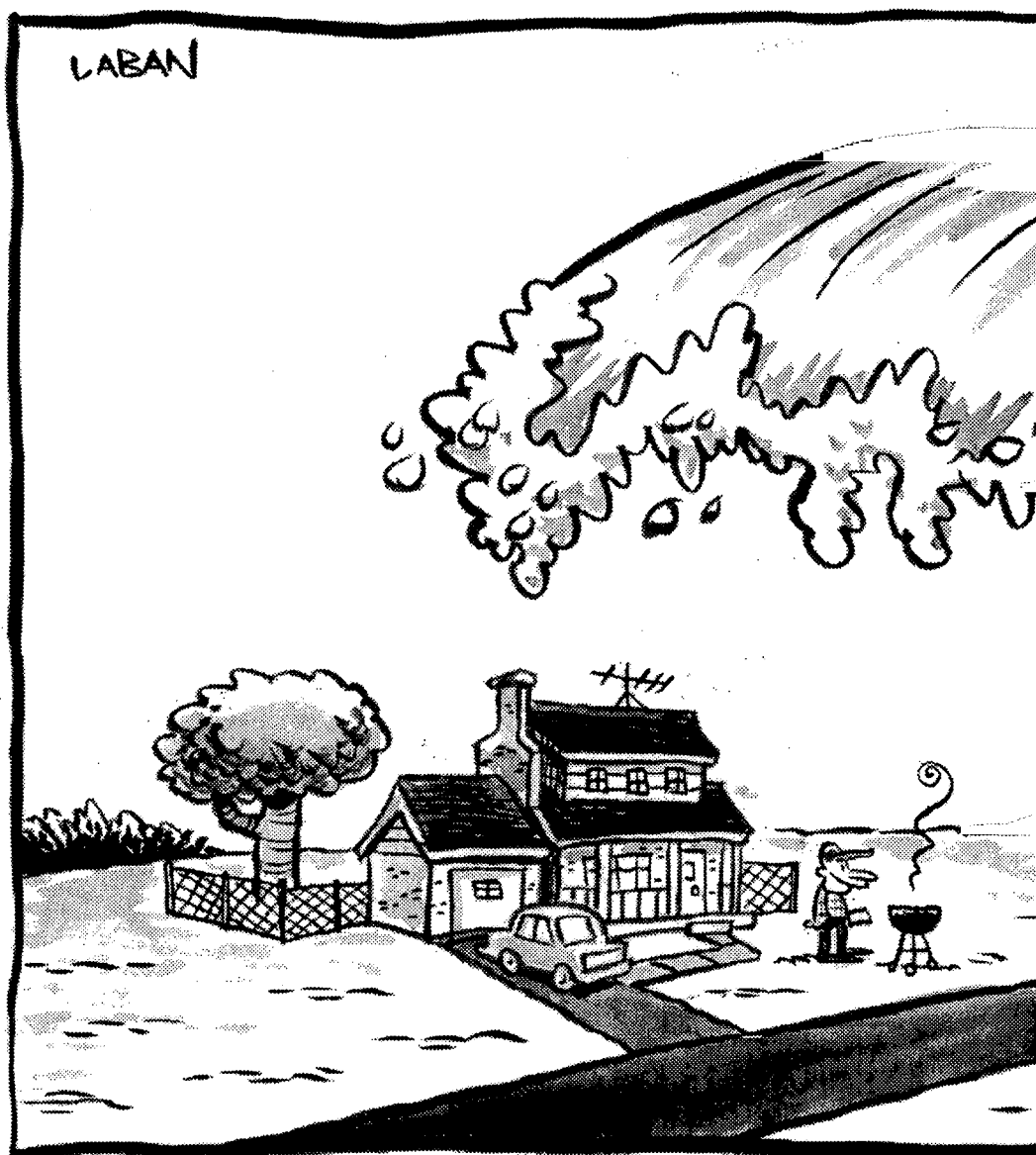
winner under NAFTA and GATT. But the shrinking ranks of Caterpillar hourly workers—most of whom are now striking to retain decent wages and benefits—are hardly sharing in the bounty.

The arguments supporting the implementation of GATT would never survive if subjected to the same scrutiny as other economic strategies. Because the implementation of GATT will result in roughly \$43 billion in lost tariff revenue, the administration has had to argue that the lost income will be offset by resulting economic growth. However, administration officials found \$12 to \$14 billion in new revenue—mainly through accounting gimmicks and by citing new income from sources unrelated to trade. Of course, the administration never seriously considered one possible income source—repealing the foreign tax credits U.S. companies now receive for investing overseas.

In the end, the arguments for approving the latest round of GATT were more religious than rational: free trade is good, protectionism is bad, and finding an alternative course is unacceptable. Failure to create the powerful World Trade Organization (WTO), the powerful trade agency created by the new GATT, would lead to panic and collapse of the world economy.

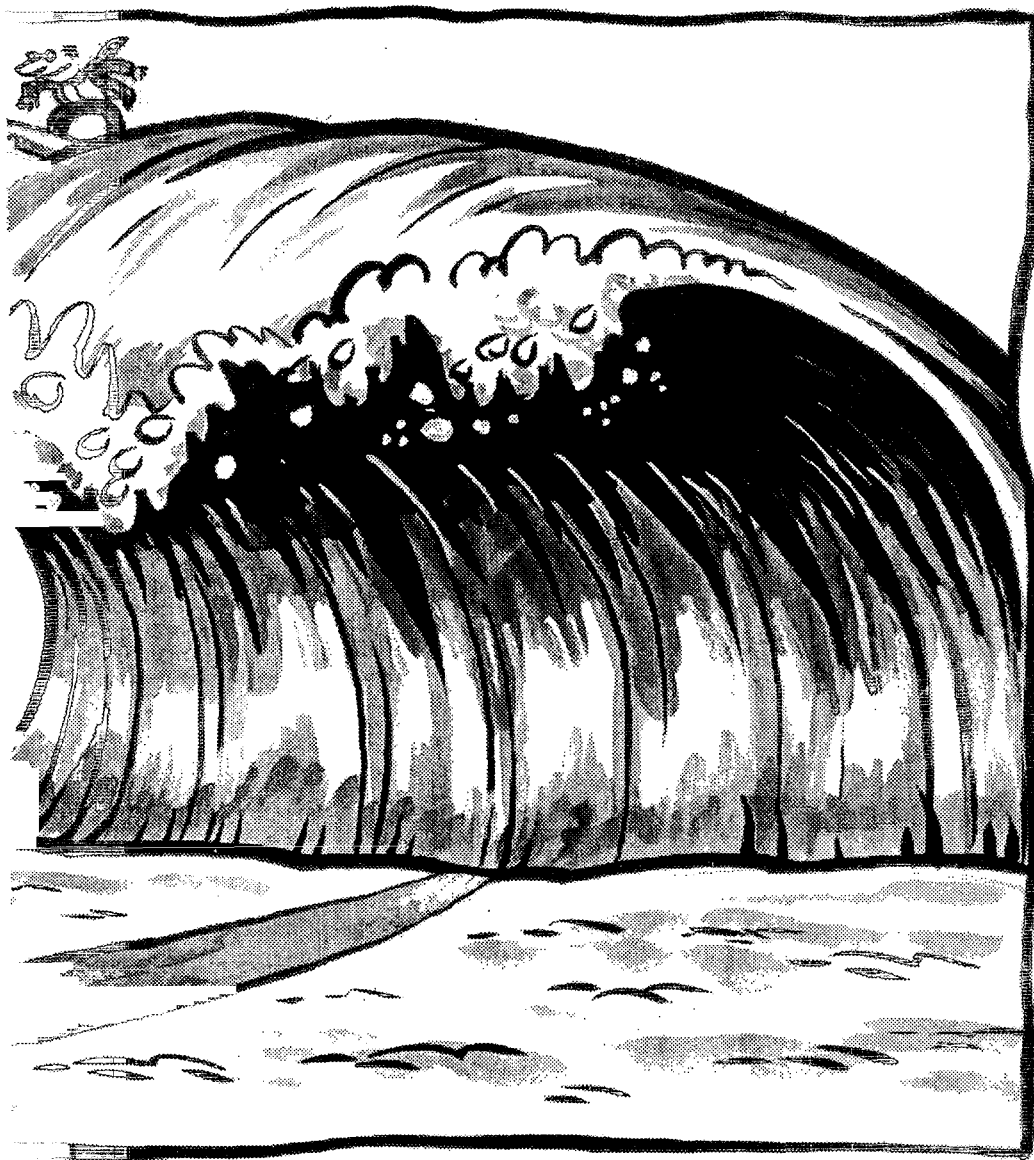
With or without the WTO, however, international trade and the globalization of production would likely have expanded. Indeed, the latest GATT revisions were only partly about trade in a conventional sense. They had more to do with consolidating the power of multinational corporations and freeing them from governmental or popular restraints.

With or without the WTO, nations and governments—including the United States—are already losing sovereignty. As a recent *Business Week* survey of “21st Century Capitalism” concludes, global investors in stocks and bonds already are more powerful than multinational institutions like the World Bank in enforcing their market discipline on governments everywhere. “Market players will become a new class of stateless legislator,” reporters Bill Javetski and



William Glasgall contend. “With the power of the purse, they will check governments’ ability to tax, spend, borrow, or depreciate their debts through inflation. ... [T]hey will become more and more directly involved in day-to-day affairs of state, meting out guidance, encouragement, and discipline on a daily basis.”

In the GATT debate, critics from the left (Ralph Nader), the right (Pat Buchanan) and left-field (Ross Perot) attacked the loss of sovereignty implied by the WTO. Under a worst-case scenario, the fear is legitimate. In the name of free trade, many state and federal protections of consumers, workers and the environment could be—and quite likely would be—overruled by the WTO. Yet the administration is also right that if the United States wants to buck the WTO and suffer certain trade penalties, it can do so. That poses a dilemma: if the United States refuses, the new regime the WTO promises will unravel or simply be a club used against the weakest nations.



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In many regards, the WTO is simply a natural progression in the evolution of GATT and not a radical departure. As the Allied nations attempted to establish multilateral institutions to sustain the international economy after World War II, there were proposals—among them, from economist John Maynard Keynes—to establish an International Trade Organization (ITO). But the ITO would have possessed much broader powers than those eventually granted under GATT, which essentially evolved from one subsection of the proposed ITO dealing with reducing tariffs and liberalizing trade.

The original ITO was the New Deal writ large on a global stage, argues Orin Kirshner, a fellow at the Institute for Agriculture and Trade Policy, a Minneapolis-based group that advocates broader regulation of international trade. The ITO would have dealt with corporate business practices, investment, worker dislocation and much more. Its top priority would have been full employment; liberalized inter-

national trade was conceived as a method for reinforcing domestic policies aimed at raising standards of living. But conservatives in the United States blocked the ITO as an invasion of sovereignty and a constraint on future U.S. actions.

GATT and the WTO represent the triumph of a narrowly focused free trade ideology. Yet they are a stalking horse for a broader free market ideology that is eroding governments' powers to act everywhere. The WTO is dangerous mainly as a further reinforcement of what Nader calls "free trade über alles" and the not-so-hidden radical free market agenda.

Even if the WTO were to expand world trade by the amounts its boosters project, it is also quite likely that the new regime would greatly increase inequality among nations and within nations. The poorest of today's poor will likely grow worse off, as even some WTO apologists have acknowledged. As billions of peasants are displaced by freer trade in agricultural products, the new poor will swell the ranks of overcrowded cities with a

desperate labor force. Even if corporations do not shift all production to these low-wage countries, they will act as a permanent depressant on wages and living conditions of workers in the advanced economies. The winners are likely to be a small class of the very rich and certain professionals and managers concentrated in the rich countries.

The emerging global trading system has spurred a diverse lot of critics from developed and developing countries and from varied points on the political spectrum. The task for critics who want a more democratic trade regime is to put trade into a context that takes into consideration more than simply gross national product. This is the surprising message put forth recently by Sir James Goldsmith, the former capitalist buccaneer. In *The Trap*, a quirky book blasting GATT and free trade, Goldsmith sets an agenda for the left that transcends the left. He says full employment—which means sustainable development for the poorer countries—has to be resurrected as one of the primary goals, not the

assumed result, of free trade. Likewise, there is a clear need to establish enforceable minimal standards of labor rights and environmental protection, with policies that will encourage a rise in those standards. And, says Goldsmith, a new international economic regime must take steps to regulate the behavior of transnational corporations and international capital markets. It must also work to ensure democratic political rights.

The WTO as now constituted is an obstacle to these goals. For example, the Congressional Research Service advised Sen. Tom Harkin (D-IA) that his proposed legislation prohibiting imports of goods produced with child labor would violate the terms of the WTO accord. It might be permissible, at most, to require labels saying, "Made With Child Labor."

Clinton's own policies on this front are extremely weak. Next year the president will ask Congress to renew the "fast track" authority that bars amendments or extensive debate on trade pacts. The administration had

talked about including some language in the legislation that would assure future consideration of environmental and labor issues, but the Republicans have vowed to block even such a modest move.

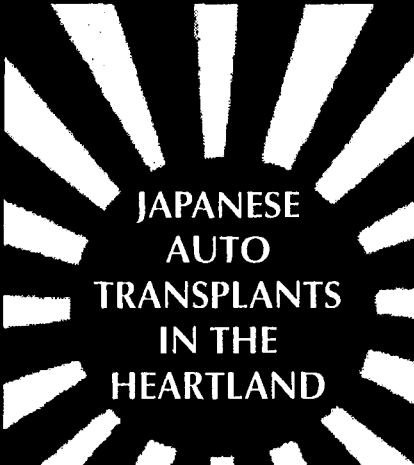
Meanwhile, in countries such as Indonesia, China and Burma, which have dreadful labor and human rights records, the Clinton administration defends the expansion of business deals for U.S. corporations, saying such a strategy will lead to the expansion of democracy—a cynical resurrection of the "constructive engagement" logic that Ronald Reagan used in his unsuccessful effort to lift sanctions against South Africa. Rather than change authoritarian Third World policies, however, the Clinton administration has enlisted corporate lobbyists to help it argue that their involvement with such human rights abusers creates jobs in the United States.

It is critically important for progressives to broaden and reform the WTO to take into account other social values, from egalitarianism to environ-

mentalism. But it may be more fruitful in the near future to create new institutions and global standards outside of the context now dominated so heavily by corporations and trade technicians. That could include measures such as strengthening the pathetically weak International Labor Organization, establishing corporate codes of conduct or a global social charter—which the European Parliament is likely to demand as a corollary to GATT—and creating a World Environmental Organization, paralleling the WTO. As these institutions develop, they would clearly clash with the WTO, forcing a showdown over what values will triumph.

Of course, creating movements that can unite the developed and developing world will require imaginative strategies. In demanding an end to child labor in export industries, the richer countries could follow the lead of the European Union in its new trade agreement with Pakistan. The pact calls for elimination of child labor and also provides funds to increase education of young girls in the countryside, thus providing them and their families an alternative.

Among the critics of free trade and the WTO, there is a dream of diminished trade and revived localism. Yet neither more trade nor less trade is intrinsically better. To the extent that trade sustains higher living standards and greater democracy, then it deserves support. Retreat to a more regionally self-reliant world may work in some instances but not in others. Ironically, it is only by strengthening and democratizing international institutions and creating more comprehensive regulations of the global marketplace that local communities and small-scale institutions—let alone nation-states—can flourish in any meaningful way. Otherwise, power will be further concentrated in multinational corporations and global money markets that are unaccountable to the vast majority of the world's people. The issue of sovereignty, especially the sovereignty of the people, has moved unavoidably to a global stage.



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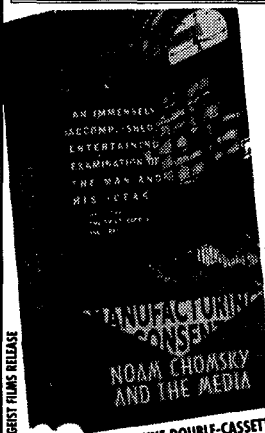
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Staying alive

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ainal Rampak, the top labor leader in this nation of 19 million, is sitting on a union organizer's dream. Labor shortages abound, the economy is booming and Malaysia has among the most liberal labor laws in Asia.

Yet Rampak's Malaysian Trade Union Congress is stagnating, and its member unions have notched few victories in recent years. Hobbled by Kafkaesque governmental rulings and the hostility of multinationals, Malaysia's union movement considers just staying alive a victory.

"All we're asking for is freedom of association," Rampak says.

Even this simple demand is too much for Malaysia's chief of state, Mahathir Mohamad, whose aggressive pursuit of multinational corporations has translated into rapid growth for this

East Asian nation. Mahathir has inveighed against Western calls for Malaysia to enact a minimum wage, claiming that this would scare off employers. In the government-controlled media, meanwhile, union demands for greater leeway in their organizations, higher pay and better working conditions are depicted as threatening the national good—when they are not altogether ignored.

"The government has persuaded the people that unions are a dirty word," says one prominent journalist here.

On paper, Malaysian unions have an impressive share of legal protections. Employers, for instance, must recognize a union after a simple majority of workers organize. But in practice, the government's Registrar of Trade Unions is the sole arbiter of lawful unions, and it rejects legitimate union applications with chilling regularity, and often for bizarre reasons.

The government's capriciousness makes it almost impossible to organize the employees of multinationals, which have made Malaysia an export powerhouse. In one recent example, workers at a plant owned by multinational Kimberly-Clark asked to join the print and paper union only to have the Registrar dismiss the request on the grounds that the workers had allied with the wrong union. The Registrar, however, refused to say which union it would allow the workers to join.

The multinationals deny that they have ever asked the Malaysian government to keep their plants union-free, or threatened to leave if workers did organize. But they make plain their antipathy to unions and suggest darkly that Malaysia might become "uncompetitive" if unions forced through too-rapid wage hikes.

"Our people have no incentive to join a union, and we'd rather deal directly with them," says Roger Bertelson, chairman of the Malaysian-American Electronics Industry Association and a Motorola plant manager here.

The multinationals generally pay more and offer more training to workers than local companies. But this mainly benefits the elite top fifth of employees, those with the most education and experience. The base pay for new factory hands, many of whom are women, barely exceeds \$100 a month—this in a country where the least expensive car costs \$20,000 and flats in bustling Penang run upward of \$75,000.

Since production is booming here, workers can sharply increase their pay by logging huge amounts of overtime, sometimes as much as 80 to 100 hours a month. This brings them respectable wages, but disrupts family life. One female technician at National Semiconductor, a big U.S. chip company, earns \$350 a month after 15 years of service. But she works such long hours

*In Malaysia,
the economy is
flourishing for
everyone but
the workers.*

By G. Pascal Zachary
KUALA LUMPUR, MALAYSIA

that her two youngest children have to live during the week with their grandmother, whose home is an hour away by car.

Starved for labor, multinationals have even imported workers from Indonesia and the Philippines, housing them in dormitories on or near their factories. The practice, already prevalent in agriculture and construction, has resulted in an estimated 1 million foreigners working in Malaysia. Absent imported labor, Rampak estimates that wages might rise an additional 25 percent—even without unions.

Malaysian workers who manage to form unions face other hurdles. Textile workers, for instance, can organize only along provincial lines, thus reducing labor's clout nationwide. And even after workers succeed in organizing a plant, the government often invites the employer to establish its own "house" union and rejects the application from the independent union.

As a result, in the province of Penang, where textile manufacture has exploded over the past decade, only 10 percent of the 60,000 textile workers belong to unions, and the last plant was organized three years ago.

Though textile wages are rising, many workers earn as little as \$8 to \$10 a day at piece-work rates and have no guaranteed income. Because of the weak position of unions, "we are still asking for a minimum wage for our members when we should be asking for a living wage," says Abdul Razak Hamid, head of the Penang textile union.

The government defends its labor record, citing annual wage increases of nearly 10 percent in many industries and generally improving work conditions. Employers, meanwhile, credit limits on worker rights as one reason why they don't move jobs to neighboring Indonesia and Thailand, where wages typically are less.

"What's the point of having rights if we have zero economic growth?" asks Anwar Noor, chairman of the Malaysian Federation of Employers.

Friends of labor, however, argue that the government caves in too quickly to employer pressure. With the official unemployment rate at below 3 percent, "the state should use its leverage to better the position of workers," says Rajah Rasiah, an economist at the National University of Malaysia. "It really does have more bargaining power."

But no one is pushing this view too hard—at least not publicly. Under the nation's internal security act, Mahathir's government has jailed labor leaders without charge or trial several times over the past 10 years.

Even Rampak, while criticizing Mahathir for "saying 'no' to anything for the workers," is careful to count his blessings. Despite the government's cat-and-mouse game with the country's roughly 500 individual unions, "we are very fortunate," Rampak says. "We are not suffering. But why can't everyone make a decent living?" ◀

G. Pascal Zachary, who lives in Berkeley, Calif., writes about business, labor and global development.

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E CONOMICS

Inner-city assets

A new approach to urban development is being praised by both liberals and conservatives.

By Salim Muwakkil

The Republican revolution of November 1994 is likely to accelerate the trend away from federal investment in America's cities. And while that development is distressing, it may also provide an opportunity to push new ways of looking at community development.

According to John Kretzmann, an urban affairs scholar at Northwestern University, most Americans are socialized to think of lower-income neighborhoods as little more than collections of problems. And because this perspective is shared

by most elected officials, Kretzmann argues, systems of social services emphasize the community's deficits. "As a result, many low-income urban neighborhoods have become places where residents believe that their well-being depends upon being a client," Kretzmann says. "They begin to see themselves as dependent people and eventually they become mainly consumers of services with no incentive to be producers."

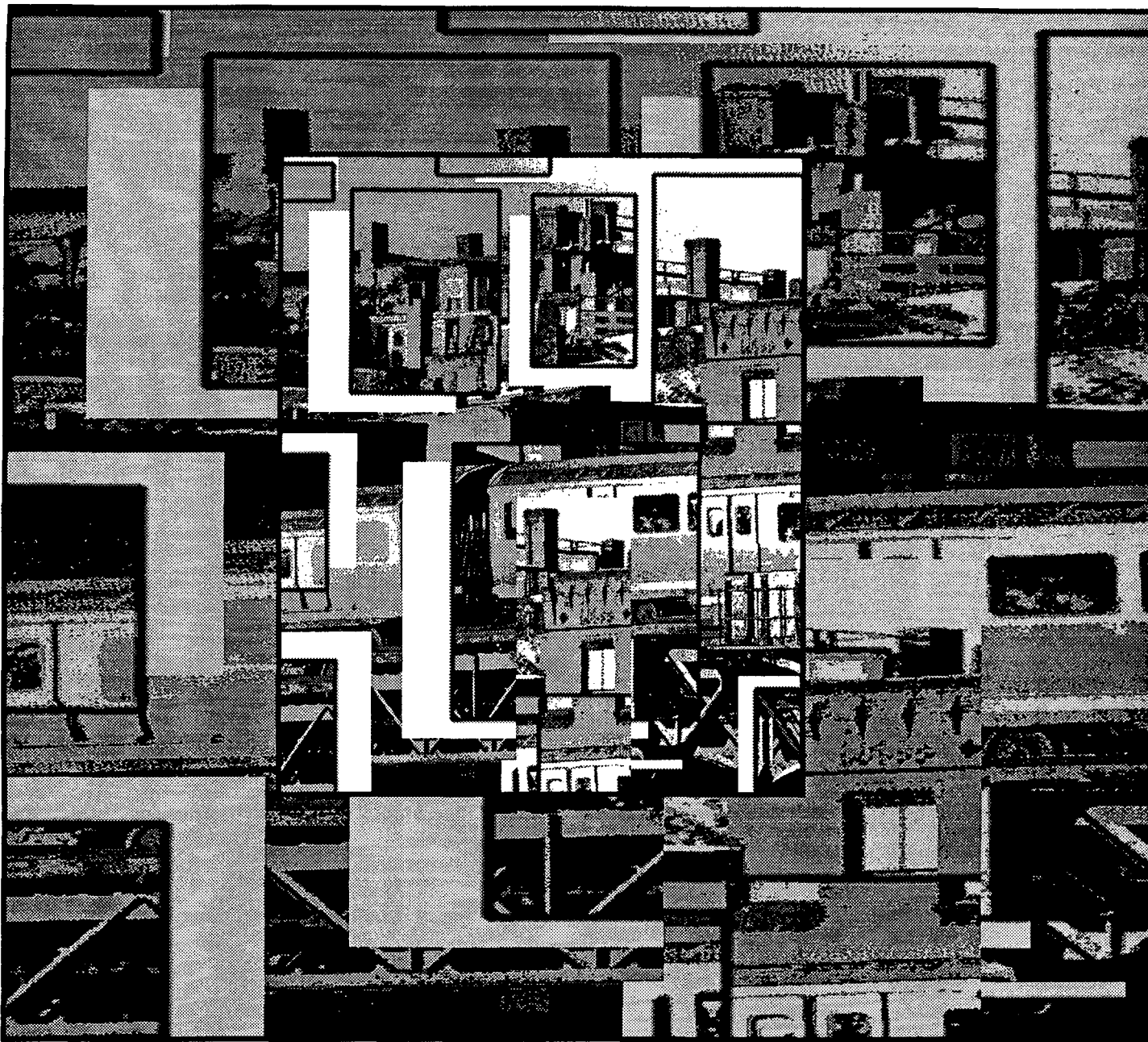
Kretzmann, project director of the Neighborhood Innovations Network (NIN) project of Northwestern University's Center for Urban Affairs and Policy Research, is helping to develop strategies that will enable low-income urban residents to escape the cycle of dependency. The underlying premise of the NIN project is one gleaned from its study of successful community-development efforts: communities have within them the capacity to promote healthy development.

Much of the NIN's argument seems to coincide with the preliminary noises coming from folks like Speaker-in-waiting Rep. Newt Gingrich (R-GA), whose criticism of welfare rests on the notion that it creates dependency.

Kretzmann is far from Gingrich's political orbit, but he shares the Georgian's opinion on that issue. "I don't think we should be reluctant to agree where there's agreement," he says. "One of the reasons the left has lost much of its credibility is its rejection of common sense. What we've been arguing is that if low-income communities think they're going to get rescued by the public sector or a job-bearing industrial revival, then they're just being unrealistic. And this was as true before November 8 as it is after November 8."

The NIN has developed an alternative to this deficiency-oriented approach by focusing on policies designed to exploit the capacities, skills and assets of low-income people and their neighborhoods. "We've seen from our experience with several community development groups in Chicago that even the poorest city neighborhood has resources that can be used to build,"





Kretzmann says.

The problem, however, is that the traditional models of community development have focused attention on needs rather than on assets. These needs, Kretzmann notes, are often identified, quantified and mapped by conducting needs surveys. "The result is a map of the neighborhood's illiteracy, teenage pregnancy, criminal activity, drug use," he explains. Kretzmann's NIN is concerned with cartography of a different kind: "We focus on drawing a new 'map' of assets and capacity to replace the one containing needs and deficiencies."

The process of identifying intrinsic assets is the beginning of community regeneration, he says: "The key to neighborhood regeneration is not only to build upon those resources

which the community already controls, but to harness those that are not yet available for local development purposes."

Even before the November elections abruptly shifted the political ground, the demand for NIN's ideas was growing. Over the past several years, it has become increasingly clear that federal assistance to urban America is going to remain too meager to make a real difference. Development, in an era of deficits, will have to begin from within or not begin at all.

The left historically has been a bit cold to this notion. And for good reason: its acceptance legitimizes arguments that pave the way to the increased balkanization of our already-fractured society. This focus on indigenous development leaves out the role of a national government in urban development and could easily provide a pretext for

disinvestment. Cities dotted by separate bastions of ethnic particularism are a possible—and increasingly probable—consequence of this logic. Accordingly, programs that emphasize such indigenous solutions tend to be championed most fervently by black nationalist groups, not by more traditional progressives.

But a multiethnic group in Boston, the Dudley Street Neighborhood Initiative (DSNI), has parlayed capacity-oriented organizing into a unique example of community empowerment and, in the process, has attracted widespread interest on the left. A new book chronicling the DSNI's history, *Streets of Hope: The Fall and Rise of an Urban Neighborhood*, by Peter Medoff and Holly Sklar, (South End Press) provides a detailed account of how one community in Boston's most impoverished neighborhood organized an extraordinary rebirth.

"The DSNI story challenges those who see inner-city residents as people who have only problems, not solutions," the authors note in the introduction. "It shows how effective community development begins by recognizing and reinforcing the resources within the community. It encourages low-income neighborhood residents to take stock of their varied individual and community assets and think boldly as they envision the future together."

The story of the DSNI is a case study in urban renewal that proves the promise of a capacity-oriented paradigm. In the mid-'80s the organization was formed by residents of a Boston neighborhood on the skids. The Dudley Street neighborhood had been caught up in the depressing dynamic of urban blight—disinvestment by financial institutions and insurance companies in a "self-fulfilling prophecy of white flight, devaluation and decline"—since the early '60s. But a number of residents decided to attempt to alter that pattern, and through a fortuitous confluence of personalities and programs did just that.

Along the way, the group pioneered certain community development techniques that are sure to gain currency in the prevailing political climate. Among the most novel of these techniques was the process of controlling development

through "eminent domain," which allows the government to take property for public use without the owner's consent.

When the DSNI began implementing its plan to develop the neighborhood's fallow vacant land, it ran into a problem with patchwork geography of city-owned and privately owned land.

"There would be no way to meet the plan's goal of neighborhood control and critical mass by combining city-owned land with piecemeal development of private lots, many of them too tiny to develop individually," the authors write. "That would repeat the mistakes of the old 'in-fill' strategy of building scattered-site housing without community-controlled comprehensive redevelopment." As a way to circumvent these problems, the group pushed the city of Boston to use its power of eminent domain to assemble large tracts of vacant land for development.

Building viable communities from the bottom up has a romantic appeal that resonates in hearts from left to right on the political spectrum. And the appeal, as the story of the DSNI shows, is not just romantic.

Kretzmann agrees. "It was clear to many of us that the Democratic Party had little interest in investing public resources into lower-income communities," he says. "But regardless of whether Democrats or Republicans are in power, nothing will work until the people within the community itself define the strategy for community development." ▴

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I N T H E A R T S

Schoolgirl crush

W

A brutal 1952 murder is the takeoff point for a fascinating look at adolescent obsession.

By Pat Dowell

What is it about New Zealand that produces such original filmmakers as Jane Campion and Peter Jackson? The lush symbolism of Campion's *The Piano* seemed utterly new when the film came out last year, and now Jackson's *Heavenly Creatures* dives headfirst into a lurid tale of murder and comes up with a pearly black comedy.

The film is based on a real incident: in 1952, a Christchurch, New Zealand woman was bludgeoned to death in a public park by her 15-year-old daughter and the girl's best friend. Today the Parker-Hulme murder case—named for its perpetrators, Pauline Parker and Juliet Hulme—would be just another tabloid news story, easily lost in the TV clutter between Susan Smith and O.J. Simpson. But in the suffocating atmosphere of postwar New Zealand, it was a national scandal, not

least because the two girls were apparently unrepentant and were obsessive enough about each other for some to speculate that they were lovers.

Pauline kept a diary about the secret imaginary world that the two shared. Jackson and screenwriter Fran Walsh fashioned their movie from that diary, as well as from interviews and court transcripts. The movie even transforms, via special effects, a Christchurch garden into the girls' fantasy land of Borovnia, where life-size clay figurines resembling singer Mario Lanza and actor Orson Welles lumber into romantic adventures amid storybook castles.

Lanza was the girls' hero, and Welles, for some arcane reason, their *bête noire*. After seeing *The Third Man* at the local moviehouse, they imagined Welles chasing them home to bed—and in a black-and-white fantasy sequence, he does just that. They are horrified, titillated and enchanted at the same time; viewers are likely to have a similar reaction to *Heavenly Creatures*. It's a movie that visits madness from the inside—

achingly sympathetic and yet unwilling to minimize the horror of its effects.

How Pauline and Juliet came to kill Pauline's patient, fretful drudge of a mother is laid out with all the logic of fevered adolescent infatuation. The girls seized on each other as soulmates in a barren life of stern schoolteachers and drab social proprieties. Pauline's parents were lockstep middle-class; Juliet's English family was more affluent, cultured and indifferent. Both girls had suffered lonely, long illnesses and both felt terribly different from their peers.

Both also felt locked in a world that pressed all the beauty from life. Their parents were beginning to fuss about their closeness, and, worse, Juliet's family was breaking up, thus threatening to separate the two. Retreating even deeper into their shared fantasies, they came to believe that the only way to stay together was to make Pauline an orphan whom Juliet's father could adopt. So they killed her mother with a brick wrapped in a sock.

Pauline and Juliet shared a classic teenage-girl bond, the kind most women will recognize yet few filmmakers have dramatized. Naturally, now that one such female friendship has made it to the screen, it's one of the most pathological exam-



Heavenly Creatures
Directed by Peter Jackson

PHOTOS © MIRAMAX FILMS



ples imaginable. But it's also one of the most intense and memorable. Jackson treats the relationship with absolute respect and a kind of awestruck deadpan humor. The combination makes *Heavenly Creatures* into something just as strange as anything imagined by Pauline and Juliet (played by two formidable teenage actresses, Melanie Lynskey and Kate Winslet).

Like Jane Campion in *The Piano*, director Jackson sets a repressive middle-class world of Europeanized New Zealanders against the ripe sensuality of the island's lush landscape. The Hulmes and the Parkers might easily be the descendants of the prim Victorians besieged by nature (and their own natures) in *The Piano*. The girls live in a hothouse world of daydreams, movies, novels and fantasies that is no more twisted, in its own way, than their parents' world of suburban fortresses.

Their attempt to find something real and thrilling in life takes them into the unreal and the surreal—nowhere so gloriously realized as in a flabbergasting sequence that could be lifted whole for MTV, if MTV was into Mario Lanza. To the sound of one of Lanza's biggest hits, "The Donkey Serenade," Juliet and Pauline race through the woods in a frenzy of fan worship, giggling and shedding garments as they go until they collapse exhilarated in each other's arms.

The movie steps rather evasively around the issue of sex

in the girls' relationship. In real life, much was made of homosexuality at their trial (not a major part in the film, which effectively ends with the murder). Jackson does not entirely avoid the issue: in one scene, for example, the girls assume the roles of their fantasy-world Borovnian king and queen, and so kiss and caress in character. But the film makes few conclusions about what this intimacy means. Indeed, Jackson told me in an interview that he did not think Pauline and Juliet were lesbians, but rather teenagers experimenting with something they would outgrow—a hoary old heterosexual cliché at best.

In fact, the movie ends, as did Pauline and Juliet's relationship, before anyone could say exactly what was the nature of their love. But love it was, as *Heavenly Creatures* makes perfectly clear. As their hysteria over the prospect of parting escalates and the murder draws ever closer, the movie takes us all for a precipitous, scrambling slide into the pit. It's as haunting a portrait of a murder as I have ever seen, more akin to *Crime and Punishment* than the *National Enquirer*. Ironically, however, the movie's success down under has had its tabloid fallout. An enterprising writer for a New Zealand tab ferreted out the identity of the real Juliet Hulme, who grew up in England to become a successful novelist, Anne Perry. Almost too fittingly, it turns out that she writes murder mysteries. ◀

I N P R I N T

The miracle workers

By Eyal Press

The free market is the only mechanism that has ever been discovered for achieving participatory democracy." So writes University of Chicago economist Milton Friedman in the introduction to Friedrich von Hayek's recently reissued tract on the iniquity of central planning, *The Road to Serfdom*. Nineteen years ago, Friedman discoursed similarly on the merits of capitalism and the disease of "suffocating statism" on a whirlwind trip to Chile. At the time, Friedman and a host of other visiting economists—the so-called "Chicago Boys"—hoped to wean Chileans of the democratic socialism that had been initiated in 1970 under Chilean President Salvador Allende. Allende, having begun the treacherous task of nationalizing key sectors of the Chilean economy, was promptly deposed in an ignominious CIA-sponsored coup in 1973. Friedman, eager to have Chile reverse course, appeared shortly thereafter and met privately with Gen. Augusto Pinochet to urge an immediate application of free-market shock treatment.

Today shock treatment is being applied everywhere from Moscow to Lima. And with the same Panglossian faith. The rush to privatize and deregulate economic activity has proceeded apace, with rarely a glance backward to see where it is that such "reform" actually leads.

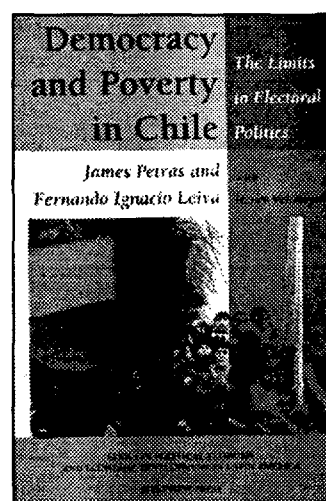
In their timely and readable new book, *Chile's Free Market Miracle: A Second Look*, Joseph Collins and John Lear show that the Friedmanite prescriptions administered to Chile (often cited as a model patient) have caused more pain than they have cured. Hailed alternately as "an economic model for other countries in the region and in the world" (George Bush) or more casually as "Latin America's most successful economy" (the London *Financial Times*), Chile has responded tepidly at best to the policies

of the Chicago Boys even in the categories—growth, job creation and stability—upon which Friedmanite neo-liberals most pride themselves. Measured by other variables—the conditions of labor, the distribution of wealth, the impact on the environment—the Chilean experiment has been an out-and-out disaster.

Let us judge first by the "important" signifiers. "You'd be surprised," mused Friedman on his 1975 tour, "how fast people would be absorbed by a growing private-sector economy." In fact, Collins and Lear point out, unemployment averaged 20 percent during the 1975-1989 Pinochet period; under Allende the figure had gone down to only 6 percent. And after the Chicago Boys convinced the junta to lower tariffs to 10 percent across the board, a flood of cheap foreign imports wiped out local producers and precipitated a one-fourth drop in manufacturing employment. Average annual growth during the Pinochet period was 2.6 percent—not bad, but far below the 4.6 percent per year achieved during the interventionist '60s.

"Stability" was similarly illusory. Twice during the Pinochet period, in 1975 and more severely in 1982, the economy suffered wrenching recessions, attributable in part to international factors (such as the 1981 crash of commodity prices and rise in interest rates, both of which strained Chilean earnings) but also to below-average investment in productive capacity by privatized companies and banks. By eliminating restrictions on foreign borrowing, furthermore, the Pinochet regime "freed" newly privatized banks to run up huge debts, which they later were unable to repay. All but five of the 19 banks privatized under Pinochet between 1975 and 1981 eventually went belly-up in the 1982 crash.

The Pinochet regime's response to the crisis, contrary to professed Friedmanite principle, was to call upon the visible hand of government intervention. The junta, Collins and Lear explain, actually bent over and bailed out the collapsing private sector in its moment of crisis, a serious faux pas in "sink or swim" Friedmanite circles. In the process the Chilean public



Chile's Free Market Miracle: A Second Look

By Joseph Collins and John Lear
Institute for Food and Development Policy
315 pp., \$15.95

Democracy and Poverty in Chile: The Limits to Electoral Reform

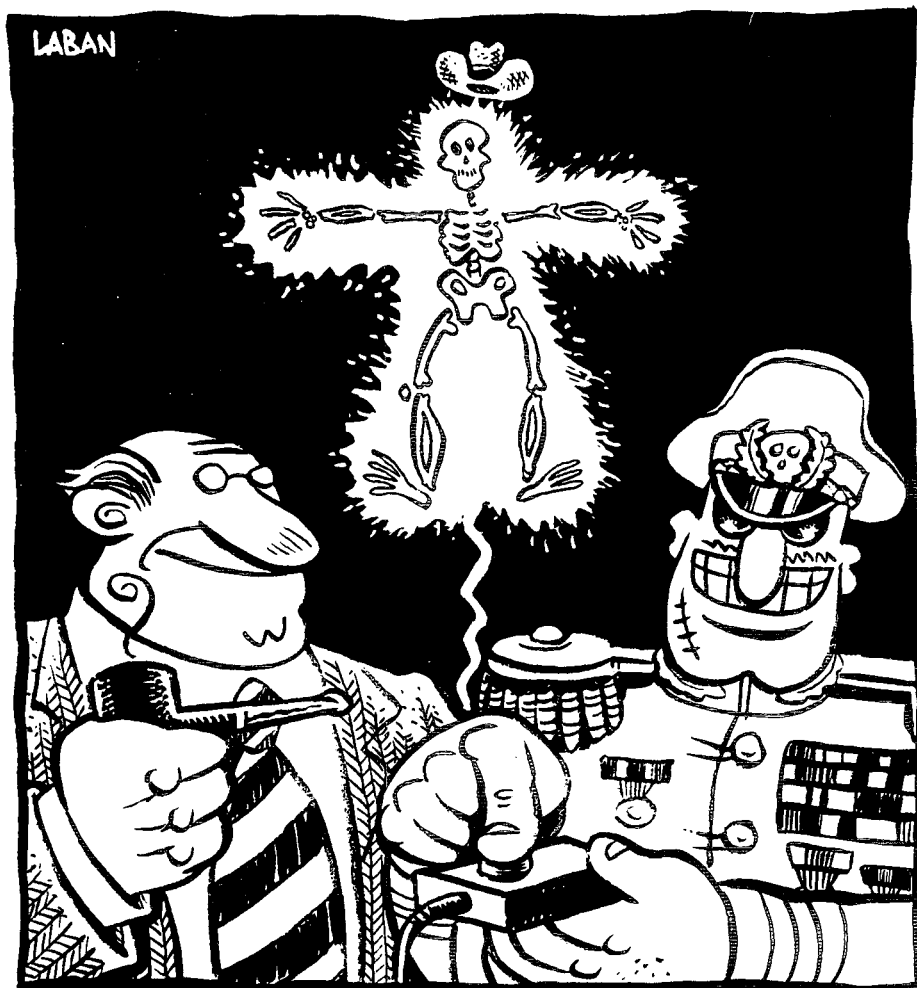
By James Petras and Fernando Ignacio Leiva
Westview Press
215 pp., \$18.95

assumed responsibility for \$4.7 billion in foreign loans contracted by private Chilean banks and businesses, thus severely exacerbating Chile's yet-to-be-resolved debt problems. Free market critics mockingly referred to the situation as the "Chicago road to socialism." By 1983, the percentage of the economy controlled by the government rivaled that of the Allende years. Failing to draw the obvious conclusion, Pinochet swiftly reprivatized these assets at bargain prices, an act that cost an additional \$2 billion in forfeited earnings.

If we look past the bottom-line figures at the actual quality of life under the Pinochet regime, the ravages of the free market system become ever more clear. Chile's economy during the period gradually but decisively veered away from small-scale production intended for local use into highly extractive production for export: a disastrous strategy that has taken an enormous toll on the environment without providing many secure, well-paying jobs in return. The free marketeers, among other things, placed no regulation on the disposal of toxic waste, pleasing corporations but turning Santiago into the world's third-most polluted city and Chilean rivers into dump-sites.

Little of Chile's economic "miracle" trickled down to its people under Pinochet. The regime's sadism—its arrest and murder of teachers, unionists, health care workers and government officials—is hardly a secret. Less acknowledged is that many more lives were damaged through the growth of poverty and inequality, a not-surprising consequence of depleted social services and a deregulated labor market. The shock of the shock therapy has been protracted: after more than a decade and a half of Friedmanite medicine, twice as many Chileans (some 41 percent in 1989) lived in poverty than did in the Allende years.

You might think that all of this would have inspired Chilean leaders to search for an alternative, but instead the language and the politics of "realism" have dominated the country, as James Petras and Fernando Ignacio Leiva document in their new book *Democracy and Poverty in Chile*. The politicians who stepped in after Pinochet made his mess



now insist that the free market is the only game in town. The post-Pinochet Chilean transition from military to civilian rule has revolved around the deceptively affirming notion of "reconciliation," which has really amounted, the authors contend, to a form of Pinochetismo without Pinochet, whereby the technocrats who replaced the general have adopted salient elements of his worldview rather than opting for real change.

One especially vile aspect of the process has been a perverse unwillingness among Pinochet's successors, Patricio Aylwin and Eduardo Frei, to make members of the junta acknowledge, much less pay for, their human rights abuses. Many anti-Pinochet resistance fighters remain in jail, say Petras and Leiva, while the military, still headed by Pinochet, has been preserved and exonerated. Indeed, it even continues to receive a hefty 10 percent (\$230 million) cut on annual copper sales.

A second and more lasting feature of the frictionless transition is that the new ruling elite has reconciled itself to the old Friedmanite glorification of the unregulated market. Here Petras and Leiva vividly document the "intellectual about-face" taken by former critics of Pinochet's neo-liberal economic program who, having entered into the ruling elite, suddenly find themselves trumpeting the beneficence of poli-

cies they once disparaged. Finance Minister Alejandro Foxley, responsible during the '70s for a series of documented critiques of the Pinochet development plan, by 1989 spoke breathlessly of how the private sector's "animal spirits were finally awakened ... to initiate a process of investment, a process of productive modernization, and an increase in exports, which I would dare to assess as extraordinarily successful." The "pragmatism" thus imbibed by post-Pinochet leaders means speaking the language of "modernization"—to investors, not constituents.

For abject hypocrisy, the post-Pinochet leadership is clearly worse than the original. Petras and Leiva convincingly argue that you can't, as the post-Pinochet technocrats insist, remain attractive to international investors *and* raise wages, just as you can't simultaneously espouse neo-liberal and social democratic principles. The post-Pinochet regimes have slightly increased social spending and have made marginal inroads on poverty, but the level of the latter remains at 33 percent while the level of the former cannot logically rise above a certain level without also raising the blood pressure of the international investors the technocrats are so intent to woo.

The question Petras and Leiva pose is whether removing a Pinochet (or a Somoza or Duvalier, for that matter) ought really to be celebrated as "democracy" when a highly skewed distribution of power and income is left intact. The "paradox" in Chile's case, they suggest, is that "greater electoral freedom was accompanied by a shrinking of the acceptable politico-economic spectrum of views and policies." They see the Chilean transition as a change "from a closed, repressive, centralized military regime" to an "elected-civilian regime embedded in an authoritarian state." The two do not believe "the dogmatic statement that electoral politics equals democracy."

Well, the spectrum of electoral politics *has* shrunk, and not only in Chile. Six years ago, Mexico's Cuauhtémoc Cárdenas (of the left-center Democratic Revolutionary Party) wrote eloquently of the perils of NAFTA and neoliberalism. Last summer, just prior to Mexico's election day, he penned an op-ed for the *Wall Street Journal* lauding both NAFTA and the private sector. Brazil's Lula—a genuine socialist and leader of his country's Workers Party—may not have written such an op-ed, but he certainly winked more than once at Wall Street in the midst of his last (unsuccessful) presidential campaign. The power of the market serves to inhibit even well-meaning, progressive Latin American leaders from pursuing alternatives to neo-liberalism.

Whatever its limitations, though, electoral politics is hardly irrelevant. Certainly the authors are right to be suspicious of a "democracy" that is neither participatory nor empowering. But they overstate the case. Pinochet's successors have, to be sure, cravenly imbibed his policies and left the unequal structure of power he built intact. But there is still an important difference between living under a dictatorship where human rights are officially abolished and a civilian regime where they are left unfulfilled. Petras and Leiva

clearly demonstrate "the limits of electoral politics" in Chile, but it is worth remembering that democracy offers possibilities rather than guaranteeing results. It would have made a difference if Lula had won in Brazil, or if Cárdenas had in Mexico.

But the authors are surely on the mark to argue, as African scholar Basil Davidson has observed in another context, that "the democracy of the early 21st century will either be the politics of participatory self-commitment—or else it will be empty rhetoric, mere soapbox verbalism with different words." The future of democracy, in other words, rests with the Mapuche Indians, trade unions, ecologists, farm workers, neighborhood groups and other grass-roots organizations, offering genuine empowerment from below—not with the followers of the Friedmanite free market mantra. Indeed, both of these books drive home the central and unassailable fact that shock economics are and always have been designed fundamentally to curtail and contain—not enhance—the possibility of genuine participatory democracy. Strap countries such as Chile into structural adjustment programs, open their markets, privatize their economies, lay down the golden rules from above and one must no longer fret, as Henry Kissinger once did, about the "irresponsibility" of Chileans deciding their fate for themselves. Let's be clear—*this* is the road to serfdom. ◀

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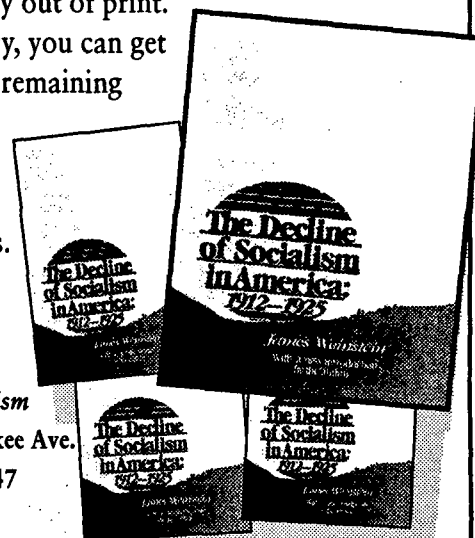
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Continued from page 2

Castro's predecessor, the dictator Fulgencio Batista.

But the failure of the invasion did not end efforts to overthrow the Cuban government. Almost immediately, Kennedy authorized the CIA to assassinate Castro, which it repeatedly tried to do.

◦If the Bay of Pigs debacle was carried through because of misinformation supplied by the CIA, the next such venture was entirely Kennedy's idea. This was the overthrow of Dr. Cheddi Jagan, an American-educated dentist and the elected prime minister of Guyana. Jagan was first elected in 1953, while Guyana was still a British colony. A leftist and self-described Marxist, he was removed from office by the British, who suspended the constitution, ordered the government dissolved and had Jagan and his wife jailed.

Four years later, in 1957, after Britain restored the constitutional government, Jagan was re-elected, and in 1961 he was elected once again. That October, Jagan went to Washington to meet with Kennedy. He assured him that there would be no Soviet presence in Guyana, and Kennedy told him that "national independence" was "the basic thing." As long as Guyana remained neutral, Kennedy said "we don't care whether you are socialist, capitalist, pragmatist or whatever." But as soon as Jagan left, Kennedy ordered the CIA to destroy his government. Soon, mysterious radio signals went on the air in Georgetown, the capital. Newspapers printed false stories about approaching Cuban warships. Civil servants walked out, and the country's labor unions revolted. In the ensuing turmoil, more than 100 people died.

The key was the unions, which were taking advice and money from the American Institute for Free Labor Development (AIFLD), an AFL-CIO program financed by the CIA in the '50s and '60s. Disruptions continued throughout 1962 and 1963. "A fire was set," Jagan says, "and the center of the city burned." Then, he says, the CIA "imposed a full blockade on shipping and airlines. We were helpless." In October 1963, at Kennedy's suggestion, the British delayed Guyana's scheduled independence and changed its electoral system in order to defeat Jagan.

For the next 20 years the country was governed by Forbes Burnham, who, according to Arthur Schlesinger Jr., the British described as "an opportunist, racist demagogue intent only on personal power." Burnham held office through force and fraud until his death in 1985. Under Burnham, Guyana amassed a \$2 billion debt, more than five times its gross domestic product. Interest on the debt now amounts to 80 percent of the country's revenue. And Guyana, which was one of the better-off countries in the region 30 years ago, is now one of the poorest.

In 1992, in the first free election since 1961, Jagan was once again elected prime minister. Recently, the Clinton administration named AIFLD director William C. Doherty Jr., as its ambassador to Guyana. Needless to say, Jagan objected to the nomination of his former antagonist and Doherty's name was withdrawn.

This sampling of illegal CIA activity only scratches the surface. Similar activities abound.

◦In 1953, for example, Iran's Prime Minister Mohammed Mossadeqh was deposed by CIA operatives because he nationalized a British oil company.

◦From 1971 to 1973 the CIA campaigned to unseat Chile's Socialist president Salvador Allende. A cable from CIA headquarters to its agents in Chile said that it was "firm and continuing policy that Allende be overthrown by a coup." Initial efforts failed, but in 1973 Allende died in a coup led by Gen. Augusto Pinochet.

◦Throughout the '80s, the CIA conducted an illegal and brutal war against Nicaragua's Sandinista government, making it impossible for the government to carry out its reforms and leading to its demise.

None of these attacks on American "enemies" is really news. It's all been documented and much of it is in the public record. But this is only one aspect of CIA activity. In addition, the CIA has been used to violate the national sovereignty of American allies in the industrialized world. From its very inception, the CIA intervened extensively in Italy's internal affairs. Just after World War II, in order to prevent a Communist victory in the first postwar elections, the CIA poured money into Christian Democratic coffers. No one—except those familiar with CIA archives—knows how long this went on. But the end result was the near-total corruption of Italian politics, which climaxed over the past two years with mass arrests of ruling party leaders and the collapse of the government.

Similarly, as the *New York Times* reported in October, the CIA spent millions of dollars to support the right in Japan beginning in the '50s. This story, says John Dower, a leading Japan scholar at the Massachusetts Institute of Technology, "reveals the intimate role that Americans at official and private levels played in promoting structured corruption and one-party conservative democracy in post-war Japan." Like its secret support for Italy's Christian Democrats, the CIA's support of Japan's Liberal Democratic Party was justified as part of the Cold War. But the main target in Japan was the Socialist Party, which was not pro-Soviet and which was strongly opposed by Japan's Communists.

Throughout the '60s, payments to the Liberal Democrats and its politicians were "so established and routine" that they constituted a fundamental part of U.S. policy, says Roger Hillsman, head of the State Department's intelligence bureau in the Kennedy administration. Payments apparently ended in the '70s, but even into the early '80s the CIA had "penetrations of all the Cabinet agencies," and had recruited a close aide to a prime minister. Some of the politicians the CIA supported had close contacts with the Yakuza, Japan's organized crime groups. One of them, Yoshio Kodama, a political fixer and a major CIA asset, worked behind the scenes to finance the conservatives. Thus the CIA not only sabotaged democracy in Japan, but also played a major role in establishing the pattern of cor-

ruption that recently led to the scandals involving Liberal Democratic leaders.

With the Cold War over, officials at the CIA can no longer defend covert activities that disrupt the political processes of other nations. Instead, they claim to be focusing on their most important mission: collecting and analyzing information to help the White House form a coherent foreign policy.

So let's look at this claim. And let's even overlook the CIA's abject failure to recognize what was happening as the Soviet Union crumbled—a development the agency didn't want to see because it deprived the CIA of its rationale. Instead, let's look at the information the CIA fed to the Clinton administration about President Aristide in the runup to his reinstatement.

As is its norm, the CIA got its intelligence from right-wing assets in Haiti. These included the most vicious of the ruling elites' butchers, among them former Port-au-Prince police chief Col. Joseph-Michel François and Emmanuel "Toto" Constant, head man of the paramilitary group FRAPH. Constant, who is said to have founded FRAPH at the CIA's suggestion, led the forces that routinely beat and shot Haitian civilians. But he insisted that "It's the left, the extreme left ... that have the guns, [it] is not me."

Acting on the intelligence provided by François, Constant and other right-wing Haitians, the CIA mounted a campaign against Aristide and at every point tried to influence or foil administration policy. Indeed, when Clinton sent the

first group of Americans to Port-au-Prince to supervise the fulfillment of the Governor's Island agreement, the CIA went far beyond "helping" the White House form policy. It directly sabotaged its own government by allowing (if not ordering) Constant to organize the gang of thugs that scared off the ship carrying troops. This act then emboldened Lt. Gen. Raoul Cédras to abrogate the agreement and continue the terror for many more weeks.

With the Cold War ended, such activity can no longer be justified by honorable people in public life. And some senators, though not willing to confront such behavior directly, have been emboldened enough to suggest cutting the \$27 billion intelligence budget for fiscal 1995. On the other hand, the incoming House speaker, Rep. Newt Gingrich (R-GA), appears to like this history of arrogant intervention in other countries' internal affairs. He wants to use the commission to beef up the CIA budget.

On the commission, this debate will no doubt take the form of a discussion about intelligence-gathering, not foreign policy. But the underlying issue is whether the United States as a world power will respect other nations' sovereignty, and whether we will abide by international law and the norms we publicly profess. For the past 40 years the CIA has made our country into the granddaddy of international terrorism. But while the Cold War made effective challenges to this activity impossible, that excuse no longer exists. It is time to root out the corruption of the CIA and put an end to its pernicious existence. ◀

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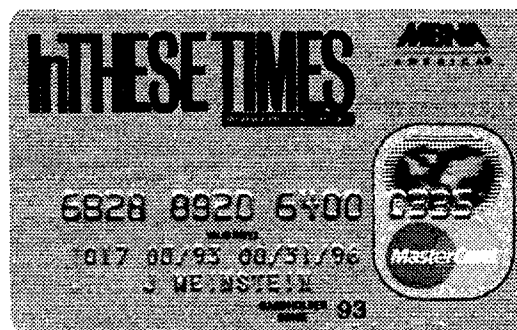
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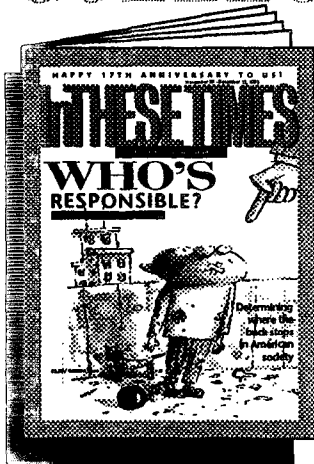
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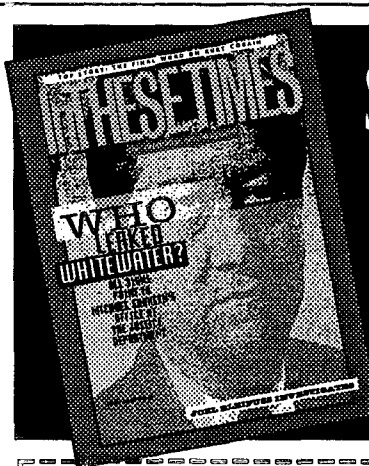
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A HISTORICAL COMPARISON

Compiled by **Miles Harvey**

(Sources: "A Christmas Carol," by Charles Dickens and "Contract with America: 10 bills to be considered during the first 100 days of a Republican-led 104th Congress," by the House Republican Conference, Rep. Dick Armey, chairman.)



1843
"Are there no **prisons?**"

1994

Contract with America legislation "authorizes \$10.5 billion over six years ... for the attorney general to make grants to states so they can **build, expand and operate prisons.**"



1843
"And the ... **workhouses?** Are they still in operation?"

1994

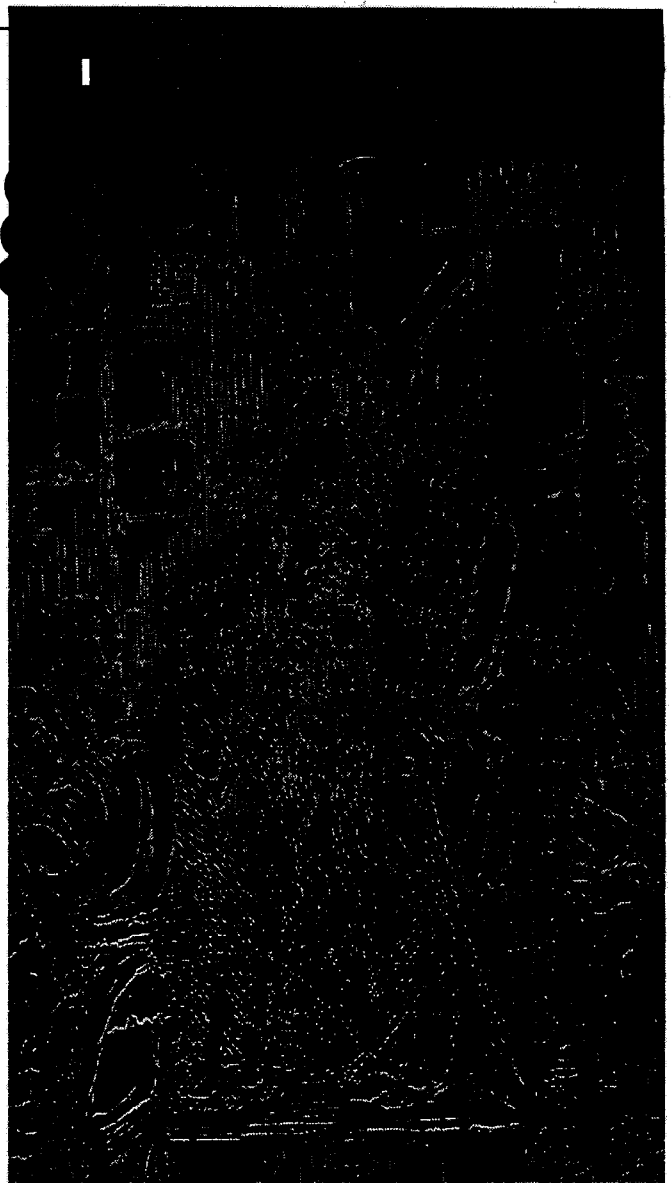
Under Contract with America legislation "[w]elfare recipients must **work** an average of 35 hours a week or enroll in work training programs. By the year 2001, 1.5 million AFDC recipients **will be required to work.**"



1843
"If they would rather die, they had better do it, and **decrease the surplus population.**"

1994

Contract with America legislation "is designed to **diminish the number of teenage pregnancies and illegitimate births.** It prohibits AFDC payments and housing benefits to mothers under age 18 who give birth to out-of-wedlock children."



1843
"[A] few of us are endeavouring to raise a fund to buy the Poor some meat and drink, and means of warmth. We choose this time because it is a time, of all others, when Want is keenly felt and Abundance rejoices. What shall I put you down for?"

"Nothing!" Scrooge replied.

"You wish to be anonymous?"

"I wish **to be left alone,**" said Scrooge.

1994

Contract with America legislation "is designed to ... let families **keep more of their hard-earned dollars** to pursue **their own** version of the American Dream."